CIMAPRO19-P02-1 Q&As

P2 - Advanced Management Accounting

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QUESTION 1

Company D is about to launch an innovative and unique product which may face direct competition within three years. The company needs to achieve a rapid payback on all investments because it has limited access to external finance. Which is the most appropriate pricing strategy for company D\\'s new product, and for what reason?

A. Market skimming because it exploits areas of the market which are sensitive to price.

B. Penetration pricing because it can be used to rapidly build sales volume in mature markets.

C. Market skimming because it enables high prices to be charged to buyers who want the product as soon as possible.

D. Penetration pricing because it can be used to rapidly build sales volume in high growth markets.

Correct Answer: C

QUESTION 2

The following data are available for four projects with unequal lives.

A 10% discount rate is appropriate for all four projects.

	Initial investment	Net present value	Length of project
Project A	$120,000	$135,000	2 years
Project B	$120,000	$195,000	3 years
Project C	$100,000	$245,000	4 years
Project D	$180,000	$295,000	5 years

Which project has the highest equivalent annual benefit?

A. Project A

B. Project B

C. Project C

D. Project D

Correct Answer: B

QUESTION 3

Which of the following statements is true?

A. Risk transfer means the management of a portfolio of different risks.

B. Insuring risks means that businesses will not need to take any measures to reduce those risks.

C. High frequency, high severity risks are always strategic risks.

D. Risk hedging is taking action to offset one risk by incurring a new risk in the opposite direction.

Correct Answer: D

QUESTION 4

Which THREE of the following conditions are required for a sustained learning curve to apply?

A. Labor intensive production

B. Continuous production

C. A complex production process

D. Frequent machine maintenance

E. Continuous product development

F. Frequent staff rotation

Correct Answer: ABC

QUESTION 5

The following cash flows are forecast for a potential investment project.

Year	Cash outflows	Cash inflows
0	$20,000	
1		$12,000
2		$15,000

The cost of capital for the project is 12% per year and the company uses a straight line depreciation policy.

What is the modified internal rate of return (MIRR) of the project? Give your answer to the nearest whole percentage.

A. 19 %

Correct Answer: A

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