

100% Money Back
Guarantee

Vendor:CIMA

Exam Code:CIMAPRO17-BA2-X1-ENG

Exam Name:E3 - Strategic Management Question
Tutorial

Version:Demo

QUESTION 1

A confectionery manufacturer is considering adding a new product to the current range. Forecast data for the product are as follows.

	\$ per unit
Selling price	500
Variable cost	330
Contribution	170

Incremental fixed costs attributable to the new product are forecast to be \$24,000 each period.

The forecast sales volume of 180 units is insufficient to achieve the target profit of \$10,000 each period.

Which of the following statements is correct?

- A. The margin of safety is negative because the target profit will not be achieved from the forecast sales volume.
- B. If the fixed cost is changed to \$20,000 the sales volume required to break even will decrease.
- C. If the forecast sales volume is changed to 190 units the sales volume required to achieve the target profit will decrease.
- D. If the selling price is changed to \$510 the sales volume required to achieve the target profit will increase.

Correct Answer: C

QUESTION 2

Data for the latest period for a company which makes and sells a single product are as follows:

	Budget		Actual	
Production units	1,300		1,100	
	\$		\$	
Sales revenue	104,000		90,200	
Direct material	3,900 kg @ \$4.30	(16,770)	3,410 kg @ \$3.90	(13,299)
Direct labour	2,600 hours @ \$12	(31,200)	2,310 hours @ \$14	(32,340)
Variable overhead	2,600 hours @ \$6	(15,600)	2,310 hours @ \$5.80	(13,398)
Contribution	40,430		31,163	

There were no budgeted or actual changes in inventories during the period. The sales volume contribution variance for the period was:

- A. \$6,220 adverse.
- B. \$9,267 adverse.
- C. \$16,000 adverse.
- D. \$5,666 adverse.

Correct Answer: D

QUESTION 3

In order for the information in a management accounting report to be authoritative its contents must be:

- A. trusted and from reliable sources.
- B. complete and reported in a timely manner.
- C. complete and relevant.
- D. both financial and non-financial.

Correct Answer: C

QUESTION 4

Which of the following is a valid definition of a cash budget?

- A. A detailed budget of estimated cash inflows and outflows incorporating both revenue and capital items.
- B. A detailed budget of estimated cash inflows only, incorporating receipts from cash sales as well as from credit customers.
- C. A detailed budget of estimated cash inflows and outflows incorporating revenue items only.
- D. A detailed budget of estimated cash outflows only, incorporating both depreciation and capital expenditure.

Correct Answer: C

Reference: <https://www.acowtancy.com/textbook/acca-ma/d2-budget-preparation/cash-budgets/notes>

QUESTION 5

A company's management accountant wishes to calculate the present value of the cost of renting a delivery vehicle. There will be five annual rental payments of \$5,000, the first of which is due immediately. The company's discount rate is 12%.

Which TWO of the following are valid ways to calculate the present value of the rental payments? (Choose two.)

- A. $\$5,000 + (\$5,000 \times 3.605)$
- B. $\$5,000 + \$5,000/1.12 + \$5,000/(1.12)^2 + \$5,000/(1.12)^3 + \$5,000/(1.12)^4$
- C. $\$5,000/1.12 + \$5,000/(1.12)^2 + \$5,000/(1.12)^3 + \$5,000/(1.12)^4 + \$5,000/(1.12)^5$
- D. $\$5,000 \times 3.605$

E. $\$5,000 + (\$5,000 \times 3.037)$

Correct Answer: AD

QUESTION 6

The following is an extract from a budgetary control report for the latest period:

	Original budget \$	Flexed budget \$	Actual \$
Direct material	25,600	30,720	35,800
Direct labour	51,000	61,200	59,380
Variable production overhead	5,850	7,020	7,100
Fixed production overhead	95,000	95,000	97,770
Total production cost	177,450	193,940	200,050

The budget variance for prime cost is:

- A. \$3,260 adverse
- B. \$18,580 adverse
- C. \$3,340 adverse
- D. \$3,260 favourable

Correct Answer: B

QUESTION 7

Which THREE of the following are included in the Global Management Accounting Principles? (Choose three.)

- A. Accountability
- B. Influence
- C. Value
- D. Professional behaviour
- E. Relevance
- F. Integrity

Correct Answer: BCE

Reference: <https://www.cgma.org/resources/reports/globalmanagementaccountingprinciples/about-the-principles.html#?tab-1=3>

QUESTION 8

A company is considering investing \$57,000 in a machine that will last for five years, after which time it will have no value. The machine will generate additional revenue of \$190,000 each year. Annual running costs, including depreciation of \$11,400 will amount to \$168,400.

Assuming that all cash flows occur evenly, the payback period of the investment in the machine is closest to:

- A. 2 years 8 months
- B. 1 year 9 months
- C. 1 year 7 months
- D. 2 years 6 months

Correct Answer: C

QUESTION 9

Data for the latest period for a company which makes and sells a single product are as follows:

	Budget		Actual	
Production units		1,300		1,100
		\$		\$
Sales revenue		104,000		90,200
Direct material	3,900 kg @ \$4.30	(16,770)	3,410 kg @ \$3.90	(13,299)
Direct labour	2,600 hours @ \$12	(31,200)	2,310 hours @ \$14	(32,340)
Variable overhead	2,600 hours @ \$6	(15,600)	2,310 hours @ \$5.80	(13,398)
Contribution		40,430		31,163

There were no budgeted or actual changes in inventories during the period.

The variable overhead expenditure variance for the period was:

- A. \$462 favourable.
- B. \$462 adverse.
- C. \$2,202 favourable.
- D. \$2,202 adverse.

Correct Answer: B

QUESTION 10

The year-to-date results at the end of month 9 included sales revenue of \$3,600,000 and variable costs of \$2,100,000.

During month 10, sales revenue was \$450,000 and variable costs were \$270,000.

What year-to-date contribution to sales ratio (C/S ratio) would be reported at the end of month 10?

- A. 58,5%
- B. 70,9%
- C. 41,5%
- D. 40,0%

Correct Answer: A

QUESTION 11

A company is appraising two projects. Both projects are for five years. Details of the two projects are as follows.

	Project A	Project B
Investment	\$1,000,000	\$500,000
Annual cash inflows	\$350,000	\$175,000

Based on the above information, which of the following statements is correct?

- A. An annuity could be used to calculate the net present value of the projects.
- B. The annuity factor for project A would be lower than the annuity factor for the project B.
- C. A perpetuity could be used to calculate the net present value of the projects.
- D. The annuity factor for project A would double the annuity factor for project B.

Correct Answer: A

QUESTION 12

The concept of the time value of money:

- A. recognises the fact that a cash flow received today will always be worth more than a larger cash flow received in the future.
- B. is used for making short term decisions.
- C. determines the higher interest rates that must be paid on longer term loans.
- D. recognises the fact that earlier cash flows are worth more because they can be reinvested.

Correct Answer: A

Reference: <https://www.acowtancy.com/textbook/cat-ffm/e1-financing-concepts/e1c-concept-of-time-value-of-money/notes>

