Vendor:CIMA

Exam Code:CIMAPRO19-P02-1

Exam Name:P2 - Advanced Management Accounting

Version: Demo

QUESTION 1

A company has three divisions, each of which is an investment centre. The divisional managers\\' performance is assessed using return on investment (ROI). A higher ROI will result in a higher bonus for the divisional manager.

The company\\'s cost of capital is 15%.

For the forthcoming year each divisional manager has one investment opportunity available as follows:

	Division 1	Division 2	Division 3
ROI of investment opportunity	20.0%	13.0%	16.0%
Expected ROI excluding investment opportunity	25.0%	9.0%	11.0%

The manager(s) of which division(s) will proceed with their respective investment opportunity?

A. Division 1 and Division 3

B. Division 2 and Division 3

C. Division 3 only

D. Division 1 only

Correct Answer: B

QUESTION 2

Which TWO of the following actions taken during the budgetary planning process will result in the creation of budgetary slack?

A. Overestimating costs

B. Underestimating costs

C. Underestimating revenues

D. Overestimating revenues

E. Overestimating profit

Correct Answer: AC

QUESTION 3

The manager of Ice Sculpting Co. believes that too much material is being wasted during downtime. She researched, and found throughput accounting to be an adequate alternative. However, she wasn\\'t sure if all that she read was accurate. Which of the following statements are TRUE when using Throughput Accounting? Select ALL that apply.

A. If there is no demand, then there should be no production.

B. Not all sales equal to profit

C. Stocking up on inventory is bad for business.

D. All costs, except materials, are considered fixed.

E. Departments should be operating at full capacity regardless of bottlenecks

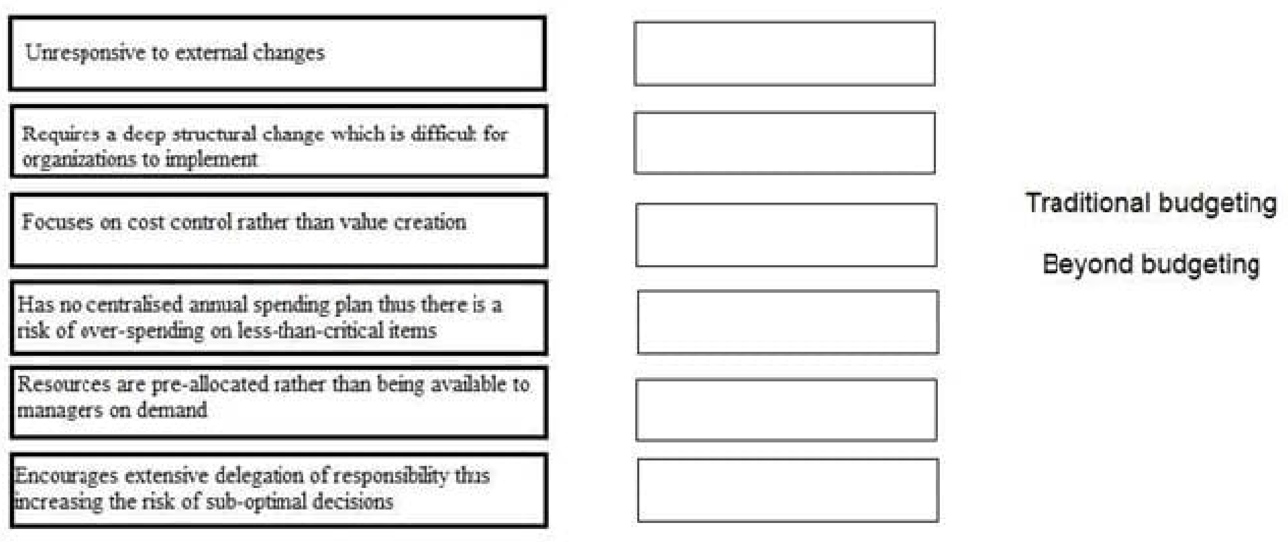
Correct Answer: ACD

QUESTION 4

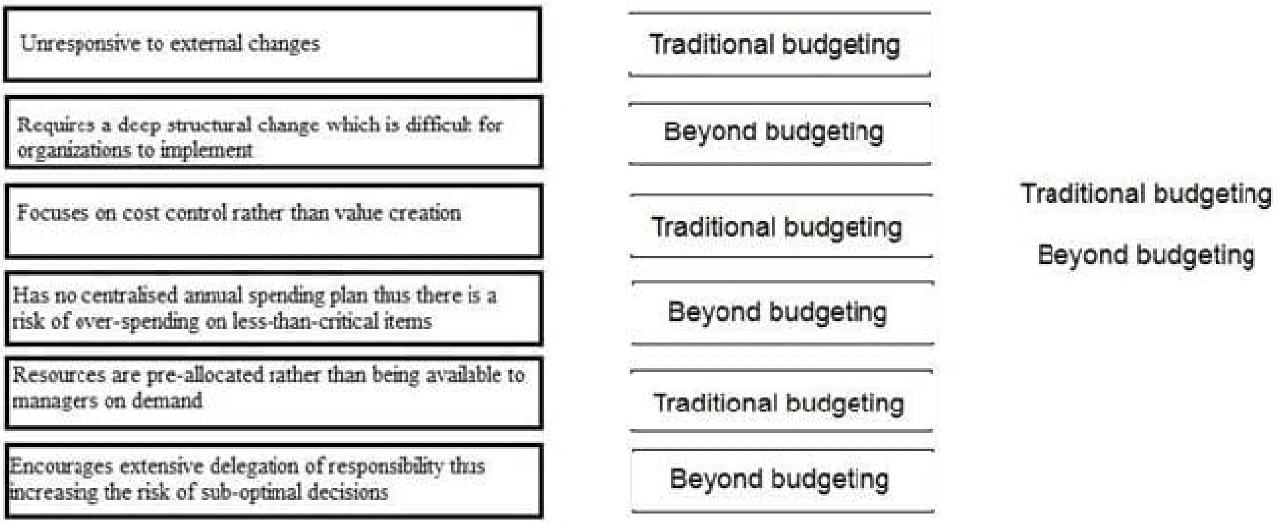
DRAG DROP

Which of the following criticisms relate to traditional budgeting methods and which relate to the \\'beyond budgeting\\' approach?

Select and Place:



Correct Answer:



QUESTION 5

A goal congruent transfer price will always:

A. motivate divisional managers by maximising divisional autonomy.

B. align the decision making of divisional managers with the objectives of the organization as a whole.

C. align the decision making of divisional managers with the maximization of divisional profit.

D. ensure that profits are shared equally between the supplying and receiving divisions.

Correct Answer: B

QUESTION 6

A company\\'s competitor has just launched a rival product at a selling price of $38 per unit. Until now the company\\'s selling price of $41.60 per unit has achieved a 30% mark-up on the product\\'s unit cost. The company proposes to use a target

costing approach to pricing to remain competitive. Management has decided to match the competitor\\'s selling price and has set a target cost to achieve a 20% return on the target price.

What is the cost gap?

A. $1.60

B. $3.60

C. $0.33

D. $1.28

Correct Answer: A

QUESTION 7

Which of the following statements are correct with regard to responsibility centres? Select ALL that apply.

A. Revenue centre managers have a lower level of decision-making authority than profit centre managers.

B. Revenue centre managers and profit centre managers are accountable for controllable costs only.

C. Profit centre managers and investment centre managers are responsible for the majority of operating costs incurred.

D. Investment centre managers have a higher level of managerial authority than profit centre managers.

E. Managers of profit centres have authority over the level of investment in working capital but managers of cost centres do not.

Correct Answer: ACD

QUESTION 8

Beyond Budgeting is essentially an approach that places modern management practices within a cultural framework. Analyze the following statements:

1.

The organization structure should have clear principles and boundaries.

2.

Managers should be given a high degree of freedom to make decisions.

3.

Frontline managers should be made responsible for relationships with customers.

4.

Information system should be transparent and ethical.

Which of the above statements relate to Beyond Budgeting?

A. 1, 2 and 4 only

B. 2, 3 and 4 only

C. 1, 2 and 3 only

D. All the statements

Correct Answer: D

QUESTION 9

Juan is looking to invest in the mining industry. He has narrowed his options down to two rival companies, both with sales of £200m. Company A has an EBIT of £10m whereas Company B has an EBIT of £14m.

This would suggest that Company B is the better investment but Juan is suspicious that Company B has more financial backing than Company A.

Which ratios will tell him which company will use his investment the best?

A. Profit margin

B. R.O.C.E

C. Current ratio

D. Quick ratio

Correct Answer: AB

QUESTION 10

PorkyCo is a leading bread manufacturer in Toyland operating two functional divisions: pulled and roasted. PorkyCo uses IT systems in all of its functions, for example, accounting has one system, manufacturing has its system, warehousing has another and human resources is the latest to develop a dedicated system to manage training and development. The issue now is that when the CEO, Mr Button, needs information about two or more functions, he has to convene the department heads to get their reports and then study each in turn. As senior management accountant at PorkyCo, help free up Mr Button\\'s time by suggesting the most efficient way of getting all the information he needs.

A. Deploy ERP technology.

B. Merge loaves and rolls into a single vertical.

C. Move to a networked organisation.

D. Create an intranet.

E. Deploy an extranet.

Correct Answer: A

QUESTION 11

When considering a capital investment, relevant costs for decision making have which THREE of the following features?

A. They are future costs.

B. They are committed costs.

C. They are incremental costs.

D. They are unavoidable costs.

E. They are cash flows.

Correct Answer: ACE

QUESTION 12

A company is investing $150,000 in a project which will yield an annual cash inflow of $40,000 for eight years. The company\\'s cost of capital is 10%. To the nearest $100, what is the project\\'s equivalent annual net present value?

A. $11,900

B. $7,900

C. $63,400

D. $21,300

Correct Answer: A