

CIMAPRO17-BA1-X1-ENG^{Q&As}

BA1 - Fundamentals of Business Economics Question Tutorial

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QUESTION 1

Which of the following statements defines a diseconomy of scale?

- A. A reduction in the unit average cost caused by increasing the scale of production in the long run.
- B. An increase in the unit average cost caused by increasing the scale of production in the long run.
- C. An increase in the unit average cost caused by decreasing the scale of production in the long run.
- D. A reduction in the unit average cost caused by decreasing the scale of production in the long run.

Correct Answer: C

Reference: <https://www.acowtancy.com/textbook/cima-ba1/economic-and-social-considerations-and-the-regulation-of-markets/diseconomies-of-scale/notes>

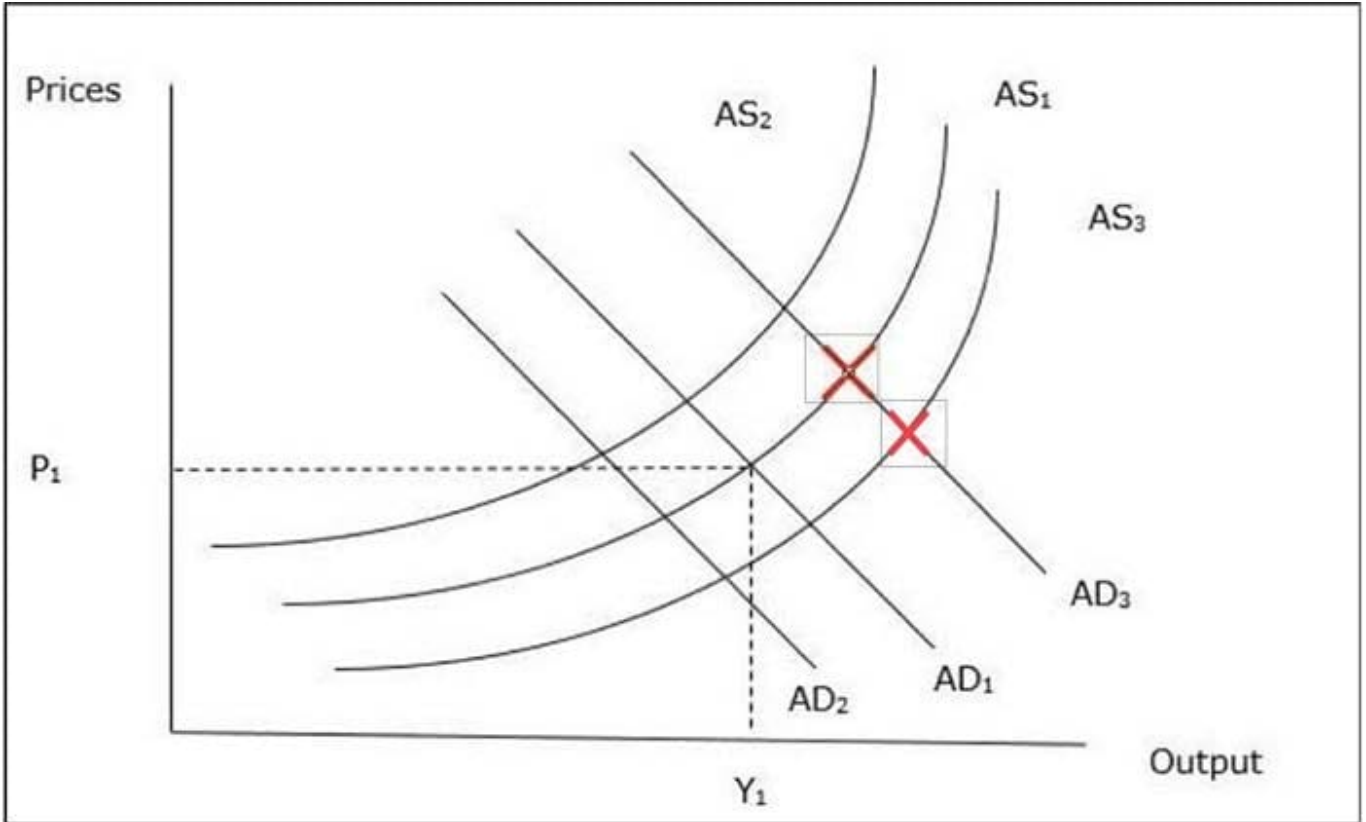
QUESTION 2

HOTSPOT

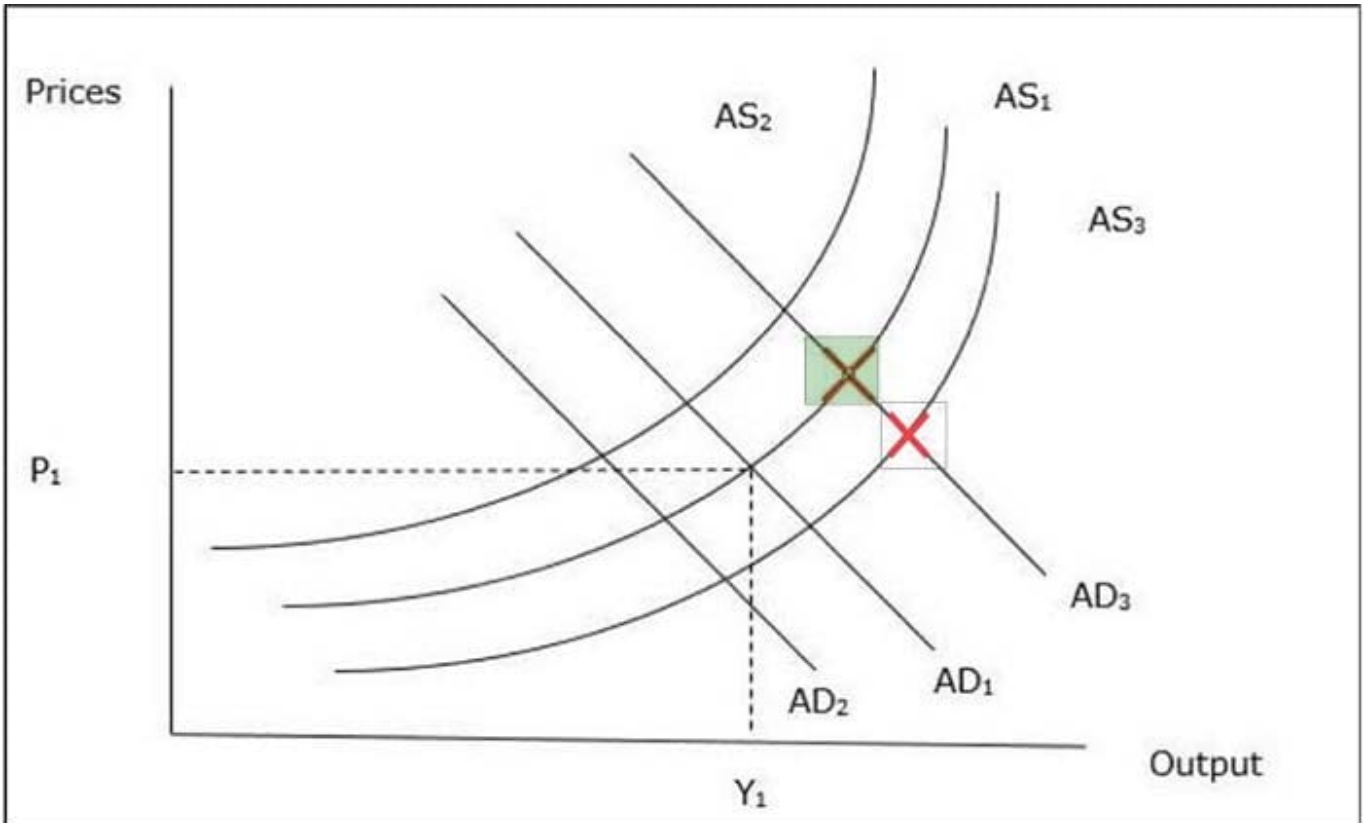
The economy of Country V is initially in equilibrium at a level of national income and employment denoted by Y at price level denoted by P1.

If there is an increase in aggregate demand, indicate on the graph below the new equilibrium point in the economy.

Hot Area:



Correct Answer:



QUESTION 3

Which TWO of the following are positive impacts for a national economy which hosts a multinational company's (MNC) production facilities within their country? (Choose two.)

- A. Mobile MNCs mean that operations can easily be transferred from one economy to another.
- B. MNCs provide employment opportunities in other countries for skilled workers from the host country.
- C. Local producers can copy superior processes from the MNC which raises productivity within the recipient economy.
- D. Direct financial investment should improve economic welfare as capital is transferred to economies where the marginal rate of return on capital is highest.
- E. MNCs can use transfer pricing to ensure taxes are minimized within a recipient economy.

Correct Answer: CD

QUESTION 4

Which of the following would tend to make the market supply of a good price inelastic?

- A. There are few barriers to entry into the industry.
- B. Many firms in the industry have unused production capacity.
- C. Most firms in the industry have high stock levels of finished goods.
- D. Newly employed workers in the industry require high levels of initial training.

Correct Answer: C

Reference: http://www.cimaglobal.com/Documents/Student%20docs/2011_CBA/C04_crudeoil_march2005.pdf

QUESTION 5

A business sells soft drinks at \$3 a bottle and its current sales are 20,000 bottles per month. The price elasticity of demand for this product is -2. If the price is reduced to \$2.70, the change in the total revenue for the business will be:

- A. -\$3,300
- B. +\$4,800
- C. -\$16,800
- D. +\$4,000

Correct Answer: A

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