

# CIMAPRO17-BA2-X1-ENG<sup>Q&As</sup>

E3 - Strategic Management Question Tutorial

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**QUESTION 1**

A small airport's management accountant has prepared the following management report on the performance of its four retail outlets.

	Outlet A	Outlet B	Outlet C	Outlet D
Sales revenue (\$000)	\$540	\$620	\$740	\$1,380
Variable costs (\$000)	\$184	\$270	\$308	\$480
Fixed costs (\$000)	\$139	\$148	\$50	\$320
Profit (\$000)	\$217	\$202	\$382	\$580
Return on sales ratio (%)	40%	33%	52%	42%
Area occupied (square metres)	200	120	160	340

Which retail outlet has the highest contribution per square metre?

- A. Outlet A
- B. Outlet B
- C. Outlet C
- D. Outlet D

Correct Answer: C

**QUESTION 2**

Which of the following statements regarding variances is valid?

- A. Using higher quality material than standard could explain an adverse labour efficiency variance.
- B. Improved maintenance of production machinery could explain an adverse material usage variance.
- C. An adverse labour rate variance could explain a favourable labour efficiency variance.
- D. Poor supervision could explain a favourable labour rate variance.

Correct Answer: C

Reference: <https://accounting-simplified.com/management/variance-analysis/labor/rate.html>

**QUESTION 3**

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The records of a manufacturing company show the following relationship between total cost and output.

	Period 1	Period 2
Total cost	\$535,000	\$340,000
Output	35,000 units	20,000 units

The budgeted output for Period 3 is 27,000 units. Assume that previous cost behaviour patterns will continue.

What is the total budgeted cost for Period 3?

Give your answer in the nearest whole number.

A. 431000

Correct Answer: A

#### QUESTION 4

Which of the following statements relating to risk and uncertainty is correct?

- A. Risk exists when we do not know all of the possible outcomes.
- B. Risk exists when we know all of the possible outcomes but not their probabilities.
- C. Uncertainty exists when we know all of the possible outcomes but not their probabilities.
- D. Uncertainty exists when we know all of the possible outcomes and their probabilities.

Correct Answer: C

#### QUESTION 5

A new product requires an investment of \$200,000 in machinery and working capital. The total sales volume over the product's life will be 5,000 units. The forecast costs per unit throughout the product's life are as follows:

	\$
Direct material	15
Direct labour	12
Absorbed production overhead	6

The product is required to earn a return on investment of 35%. What unit selling price needs to be achieved?

A. \$54.00

B. \$50.77

C. \$47.00

D. \$44.55

Correct Answer: D

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