

# 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**

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 3

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

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### QUESTION 4

Which of the following statements about batch costing is true?

- A. Batch costing must use absorption costing.
- B. The cost of a batch is found by multiplying the cost of one unit by the number of units in the batch.
- C. Batch costing must use marginal costing.
- D. The cost of a unit is found by dividing the cost of a batch by the number of units in the batch.

Correct Answer: D

Reference: <https://www.acowtancy.com/textbook/acca-ma/c3-cost-accounting-methods/c3ai-job-and-batch-costing/notes>

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### QUESTION 5

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