

CIMAPRO19-P02-1^{Q&As}

P2 - Advanced Management Accounting

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QUESTION 1

Which THREE of the following conditions are required for a sustained learning curve to apply?

- A. Labor intensive production
- B. Continuous production
- C. A complex production process
- D. Frequent machine maintenance
- E. Continuous product development
- F. Frequent staff rotation

Correct Answer: ABC

QUESTION 2

A company has just received the latest in a series of annual payments; this payment was \$620. The annual payments are expected to continue for three more years with each payment being increased by the expected rate of inflation. The

real cost of capital is 8% per year and the expected rate of inflation is 6% per year.

What is the present value of the future payments the company expects to receive? Give your answer to the nearest:

- A. \$1598

Correct Answer: A

QUESTION 3

A company makes three products, E, F and G. Total overheads for the year are expected to be \$1.2 million, with the following split between cost pools: Cost driver information has been estimated as follows:

Number of quality inspections	84,000 inspections
Number of purchase requisitions	12,000 requisitions
Quantity of material handled	240,000 kilogrammes

The company plans to make 10,000 units of product E in the year, with an expected direct cost of \$0.60 per unit. This annual production of product E is expected to require 20 quality inspections, 28 purchase requisitions, and 400 kilogrammes of materials.

What is the overhead cost per unit of product E?

- A. \$0.10
- B. \$0.70
- C. \$3.57
- D. \$4.17

Correct Answer: A

QUESTION 4

DRAG DROP

The performance of an investment centre manager is assessed by return on investment (ROI) alone.

At present, his expected ROI for next year is 15%. The manager must now decide whether to invest in a new project that is expected to yield an ROI of 14%. The cost of capital is 12%.

Indicate whether each of the following statements is true or false.

Select and Place:

True	False
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The manager will reject the project; this is a dysfunctional decision.

The manager will reject the project; this is not a dysfunctional decision.

The manager will accept the project; this is a dysfunctional decision.

The manager will accept the project; this is not a dysfunctional decision.

If the manager was assessed by residual income (RI) alone, then he would make a dysfunctional decision about the project.

If the manager was assessed by residual income (RI) alone, then he would not make a make a dysfunctional decision about the project.

Correct Answer:

True	False
-------------	--------------

The manager will reject the project; this is a dysfunctional decision.

The manager will reject the project; this is not a dysfunctional decision.

The manager will accept the project; this is a dysfunctional decision.

The manager will accept the project; this is not a dysfunctional decision.

If the manager was assessed by residual income (RI) alone, then he would make a dysfunctional decision about the project.

If the manager was assessed by residual income (RI) alone, then he would not make a dysfunctional decision about the project.

	True	
	False	
	False	
	False	
	False	
	True	

QUESTION 5

Which of the following statements is TRUE about the activity based costing system when compared to absorption costing method?

- A. ABC is easier to administer than an absorption costing system
- B. ABC will be less detailed than an absorption costing system
- C. ABC will provide more accurate overhead allocation than absorption costing
- D. ABC will cost less to administer than an absorption costing system

Correct Answer: C

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