

CIMAPRO19-P02-1^{Q&As}

P2 - Advanced Management Accounting

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QUESTION 1

An 80% learning curve will apply to the production of a new product. The first unit will require 120 labor hours. The labor rate is \$11 per hour. To the nearest \$1, the expected total labor cost for the first 4 units is:

- A. \$3,379
- B. \$845
- C. \$5,280
- D. \$4,224

Correct Answer: A

QUESTION 2

The following data are available for four projects with unequal lives.

A 10% discount rate is appropriate for all four projects.

	Initial investment	Net present value	Length of project
Project A	\$120,000	\$135,000	2 years
Project B	\$120,000	\$195,000	3 years
Project C	\$100,000	\$245,000	4 years
Project D	\$180,000	\$295,000	5 years

Which project has the highest equivalent annual benefit?

- A. Project A
- B. Project B
- C. Project C
- D. Project D

Correct Answer: B

QUESTION 3

It is often claimed that a two-part transfer pricing system offers a number of advantages to organizations which use it. Which of the following statements is NOT an advantage of using a two-part transfer pricing system?

- A. Transfers are made at the marginal cost of the supplying division and both divisions should be able to report profits from inter-divisional trading.
- B. The receiving division is made aware of and charged for the full cost of obtaining intermediate products from other divisions.
- C. It stimulates planning, communication and coordination amongst divisions.
- D. The agreed fixed fee simply compensates the supplying division for incurring the fixed costs associated with the item transferred.

Correct Answer: D

QUESTION 4

Which of the following is a correct description of the key features of net present value?

- A. It adjusts the relevant cash flows of a project to reflect the time value of money. The discount rate used is always the company's weighted average cost of capital.
- B. It adjusts the relevant cash flows of a project to reflect the time value of money. The discount rate used reflects the risk of the project.
- C. It adjusts the relevant profits of a project to reflect the time value of money. The discount rate used reflects the risk of the project.
- D. It adjusts the relevant cash flows of a project after the deduction of depreciation charges to reflect the time value of money. The discount rate used is always the company's weighted average cost of capital.

Correct Answer: B

QUESTION 5

DRAG DROP

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

Select and Place:

Unresponsive to external changes		
Requires a deep structural change which is difficult for organizations to implement		
Focuses on cost control rather than value creation		Traditional budgeting
Has no centralised annual spending plan thus there is a risk of over-spending on less-than-critical items		Beyond budgeting
Resources are pre-allocated rather than being available to managers on demand		
Encourages extensive delegation of responsibility thus increasing the risk of sub-optimal decisions		

Correct Answer:

Unresponsive to external changes	Traditional budgeting	
Requires a deep structural change which is difficult for organizations to implement	Beyond budgeting	
Focuses on cost control rather than value creation	Traditional budgeting	Traditional budgeting
Has no centralised annual spending plan thus there is a risk of over-spending on less-than-critical items	Beyond budgeting	Beyond budgeting
Resources are pre-allocated rather than being available to managers on demand	Traditional budgeting	
Encourages extensive delegation of responsibility thus increasing the risk of sub-optimal decisions	Beyond budgeting	

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