

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

BA1 - Fundamentals of Business Economics Question Tutorial

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QUESTION 1

Quantitative easing, the purchase of government or private securities by the central banks from investors, is an example of:

- A. contractionary monetary policy.
- B. contractionary fiscal policy.
- C. expansionary fiscal policy.
- D. expansionary monetary policy.

Correct Answer: D

Reference: <https://www.investopedia.com/ask/answers/040115/what-are-some-examples-expansionary-monetary-policy.asp>

QUESTION 2

Setting a minimum wage above the equilibrium wage:

- A. has no effect on unemployment, and setting a minimum wage below the equilibrium wage results in increased unemployment.
- B. results in increased unemployment, and setting a minimum wage below the equilibrium wage has no effect on unemployment.
- C. results in decreased unemployment, and setting a minimum wage below the equilibrium wage results in increased unemployment.
- D. results in increased unemployment, and setting a minimum wage below the equilibrium wage results in decreased unemployment.

Correct Answer: C

QUESTION 3

Country A's tax system is one where every citizen pays tax on earned income over \$12,000 per year. The amount of tax paid as a percentage of income rises as individuals income levels rise.

Which of the following describes the nature of the tax paid by individuals in Country A?

- A. Progressive
- B. Regressive
- C. Retentive
- D. Proportional

Correct Answer: A

Reference: <https://www.investopedia.com/terms/p/progressivetax.asp>

QUESTION 4

Which THREE of the following businesses are more likely to fare better during a recession? (Choose three.)

- A. A construction company specializing in road infrastructure.
- B. A producer of rice, a staple good.
- C. A producer of automobiles, a durable good.
- D. A producer of security equipment, a counter-cyclical good.
- E. A retailer specializing in fashion, a cyclical good.
- F. A construction company specializing in private residential accommodation.

Correct Answer: ABD

QUESTION 5

Market price refers to:

- A. the price that is determined by demand and supply.
- B. the price that includes tax.
- C. the value that is adjusted for inflation.
- D. the price that maximizes profits.

Correct Answer: A

QUESTION 6

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Company GHI wishes to develop a linear model for forecasting tractor sales based on the number of sales people it employs. In the model, tractor sales will be the dependent variable and the number of sales people the independent variable.

The company has collected sales data from each of its branches over the past year which has been reported below:

Branch	Number of Sales people	Number of Sales people ²	Tractor sales (units)	Number of sales people tractors sold (x)
A	11	121	57	627
B	5	25	41	205
C	7	49	66	462
D	12	144	103	1,236
Total	35	339	267	2,530

Based on this data calculate the slope of the line (b) to two decimal places. b =

A. 17.90

Correct Answer: A

QUESTION 7

Which of the following are the likely consequences, in the domestic economy of a country, of an increase in interest rates?

1.

A rise in demand for capital goods.

2.

A fall in demand for consumer goods.

3.

A fall in demand for housing.

4.

A rise in the exchange rate.

A. 2, 3 and 4

B. 1, 3 and 4

C. 1, 2 and 4

D. 1, 2 and 3

Correct Answer: C

QUESTION 8

A company currently sells 10,000 bottles of "bright pink" nail varnish every year at \$5 per bottle. If the price is reduced to

\$4.50 per bottle it is expected that the company will sell an extra 2,000 bottles.

What is the price elasticity of demand of the nail varnish?

- A. -2.0
- B. +2.0
- C. -0.5
- D. +0.5

Correct Answer: B

QUESTION 9

According to the principle of comparative advantage which of the following explains how country V may benefit from international trade?

- A. Specialization and international trade will only be successful if tariffs are used to protect country V's economy.
- B. Jobs historically done by country V's nationals have been off-shored to countries with cheaper labour costs.
- C. Country V can specialize in exporting oil which it can produce relatively cheaply, and import goods.
- D. Country V will only benefit from international trade if another country loses.

Correct Answer: A

QUESTION 10

Public goods are usually provided by the government because:

- A. individual users do not have sufficient knowledge to appreciate their importance.
- B. individual users do not have sufficient incentives to privately fund their provision.
- C. individual users do not have sufficient bargaining power to secure a low price.
- D. individual users do not have sufficient funds to purchase them.

Correct Answer: B

Reference: https://books.google.com.pk/books?id=yJE6yx_0wkQCandpg=PA91andlpg=PA91anddq=CIMA+Public+goods+are+usually+provided+by+the+government+because&source=bl&dots=U8XXgExj0Kandsig=ACfU3U3woyZhfPHVE33s10mudHINIOfRAandhl=enandsa=Xandved=2ahUKEwiK3c_9yK7nAhVLdcAKHYepDFsQ6AEwCXoECAwQAQ#v=onepageanddq=CIMA%20Public%20goods%20are%20usually%20provided%20by%20the%20government%20because&df=false

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