

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

E3 - Strategic Management Question Tutorial

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**QUESTION 1**

The following data relate to the latest period.

	Original budget	Flexible budget	Actual
Sales and production volume	1,000 units	1,100 units	1,100 units
Sales	1,000 units @ \$80	1,100 units @ \$80	1,100 units @ \$79
Material cost	2,000 kg @ \$15	2,200 kg @ \$15	2,190 kg @ \$14.90
Labour cost	500 hours @ \$20	550 hours @ \$20	560 hours @ \$20.50

A statement is to be prepared that reconciles the difference between the flexible budget profit and the actual profit. Which TWO of the following will appear on this statement? (Choose two.)

- A. A favourable labour rate variance.
- B. A favourable sales volume contribution variance.
- C. An adverse sales price variance.
- D. An adverse labour efficiency variance.
- E. An adverse material price variance.

Correct Answer: CD

**QUESTION 2**

A company's management accountant wishes to calculate the present value of the cost of renting a delivery vehicle. There will be five annual rental payments of \$5,000, the first of which is due immediately. The company's discount rate is 12%.

Which TWO of the following are valid ways to calculate the present value of the rental payments? (Choose two.)

- A.  $\$5,000 + (\$5,000 \times 3.605)$
- B.  $\$5,000 + \$5,000/1.12 + \$5,000/(1.12)^2 + \$5,000/(1.12)^3 + \$5,000/(1.12)^4$
- C.  $\$5,000/1.12 + \$5,000/(1.12)^2 + \$5,000/(1.12)^3 + \$5,000/(1.12)^4 + \$5,000/(1.12)^5$
- D.  $\$5,000 \times 3.605$
- E.  $\$5,000 + (\$5,000 \times 3.037)$

Correct Answer: AD

**QUESTION 3**

The concept of the time value of money:

- A. recognises the fact that a cash flow received today will always be worth more than a larger cash flow received in the future.
- B. is used for making short term decisions.
- C. determines the higher interest rates that must be paid on longer term loans.
- D. recognises the fact that earlier cash flows are worth more because they can be reinvested.

Correct Answer: A

Reference: <https://www.acowtancy.com/textbook/cat-ffm/e1-financing-concepts/e1c-concept-of-time-value-of-money/notes>

**QUESTION 4**

Data for the latest period for a company which makes and sells a single product are as follows:

	Budget		Actual	
Production units		1,300		1,100
		\$		\$
Sales revenue		104,000		90,200
Direct material	3,900 kg @ \$4.30	(16,770)	3,410 kg @ \$3.90	(13,299)
Direct labour	2,600 hours @ \$12	(31,200)	2,310 hours @ \$14	(32,340)
Variable overhead	2,600 hours @ \$6	(15,600)	2,310 hours @ \$5.80	(13,398)
Contribution		40,430		31,163

There were no budgeted or actual changes in inventories during the period. The sales volume contribution variance for the period was:

- A. \$6,220 adverse.
- B. \$9,267 adverse.
- C. \$16,000 adverse.
- D. \$5,666 adverse.

Correct Answer: D

**QUESTION 5**

A company which manufactures and sells one product has fixed costs of \$80,000 per period. The selling price per unit of \$25 generates a contribution/sales ratio of 40%.

How many units would need to be sold in a period to earn a profit of \$10,000?

- A. 9,000
- B. 8,000

C. 36,000

D. 32,000

Correct Answer: D

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#### QUESTION 6

Which THREE of the following are included in the Global Management Accounting Principles? (Choose three.)

A. Accountability

B. Influence

C. Value

D. Professional behaviour

E. Relevance

F. Integrity

Correct Answer: BCE

Reference: <https://www.cgma.org/resources/reports/globalmanagementaccountingprinciples/about-the-principles.html#?tab-1=3>

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#### QUESTION 7

A company that uses standard costing wishes to reconcile the difference between the profit for a period calculated using absorption costing with that calculated using marginal costing.

Which TWO of the following will NOT help with this reconciliation? (Choose two.)

A. The actual fixed production overheads.

B. The closing inventory.

C. The opening inventory.

D. The under or over absorbed fixed production overheads.

E. The fixed production overhead absorption rate.

Correct Answer: AE

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#### QUESTION 8

The following data are available for a company that produces and sells a single product.

The company's opening finished goods inventory was 2,500 units.

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The fixed overhead absorption rate is \$8.00 per unit.

The profit calculated using marginal costing is \$16,000.

The profit calculated using absorption costing and valuing its inventory at standard cost is \$22,400.

The company's closing finished goods inventory is:

- A. 3,300 units
- B. 1,700 units
- C. 3,900 units
- D. 8,900 units

Correct Answer: A

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#### QUESTION 9

An organisation produces and sells a single product. The organisation's management accountant has reported the following information for the most recent period.

Sales volume	200,000 units
Selling price per unit	\$24
Variable cost per unit	\$18
Contribution to sales ratio	25%
Fixed cost	\$400,000

Which TWO of the following statements are valid? (Choose two.)

- A. If the contribution to sales ratio changed to 30%, the breakeven point would become higher.
- B. If the fixed cost changed to \$445,000, the breakeven point would not change.
- C. If the sales volume changed to 220,000 units, the breakeven point would not change.
- D. If the selling price changed to \$22 per unit, the breakeven point would become lower.
- E. If the variable cost changed to \$16 per unit, the breakeven point would become lower.

Correct Answer: AC

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#### QUESTION 10

A confectionery manufacturer is considering adding a new product to the current range. Forecast data for the product are as follows.

	\$ per unit
Selling price	500
Variable cost	330
Contribution	170

Incremental fixed costs attributable to the new product are forecast to be \$24,000 each period.

The forecast sales volume of 180 units is insufficient to achieve the target profit of \$10,000 each period.

Which of the following statements is correct?

- A. The margin of safety is negative because the target profit will not be achieved from the forecast sales volume.
- B. If the fixed cost is changed to \$20,000 the sales volume required to break even will decrease.
- C. If the forecast sales volume is changed to 190 units the sales volume required to achieve the target profit will decrease.
- D. If the selling price is changed to \$510 the sales volume required to achieve the target profit will increase.

Correct Answer: C

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