



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

BA1 - Fundamentals of Business Economics Question Tutorial

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QUESTION 1

A manufacturing company is considering a new investment project.

Which TWO of the following would reduce the net present value of the investment to the business? (Choose two.)

- A. A rise in the scrap value of the project at the end of its life.
- B. A reduction in the expected level of future sales.
- C. A rise in interest rates.
- D. A fall in the initial capital cost of the project.
- E. An expected fall in the future price of components used by the business.

Correct Answer: CE

QUESTION 2

A commercial airline uses its database to develop the following regression model to predict the cost of a flight Y (in dollars) by number of passengers:

$$Y = 1,570 + 40.7x$$

Which of the following statements is correct in relation to the airline?

- A. The cost of a flight will increase by \$40.7 when an additional passenger is added to the flight.
- B. The regression model makes accurate predictions for this commercial airline, therefore it will provide good forecasts for other commercial airlines.
- C. The positive intercept in the model indicates a positive relationship between the cost of a flight and the number of passengers.
- D. If each pair of data points is plotted on a graph with Y on the vertical axis and X on the horizontal axis, there will be a downward sloping line.

Correct Answer: D

QUESTION 3

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 4

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 5

For a typical business, which of the following is NOT a potential benefit of globalisation?

A. Lower cost sites for the location of production.

B. Simultaneously improved terms of trade for all countries.

C. Wider sources of supply for inputs.

D. Larger markets for outputs.

Correct Answer: B

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