CIMAPRO17-BA2-X1-ENG Q&As

E3 - Strategic Management Question Tutorial

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QUESTION 1

A new product requires an investment of $200,000 in machinery and working capital. The total sales volume over the product\\'s life will be 5,000 units. The forecast costs per unit throughout the product\\'s life are as follows:

	$
Direct material	15
Direct labour	12
Absorbed production overhead	6

The product is required to earn a return on investment of 35%. What unit selling price needs to be achieved?

A. $54.00

B. $50.77

C. $47.00

D. $44.55

Correct Answer: D

QUESTION 2

An organisation\\'s management report contains the following data:

	Division A $000	Division B $000	Division C $000	Division D $000
Sales revenue	150	200	240	100
Direct cost	80	90	150	50
Indirect cost (excluding interest and tax)	40	70	30	20
Capital employed	120	250	250	200

Which division has the highest operating margin percentage?

A. Division A

B. Division B

C. Division C

D. Division D

Correct Answer: C

QUESTION 3

A company uses standard absorption costing. Budgeted and actual data for the latest period are as follows.

	Budget	Actual
Sales and production volume	6,000 units	6,100 units
	$	$
Direct production costs	96,000	97,600
Indirect production costs	126,000	164,700
Indirect selling and distribution costs	48,000	48,800

What was the production overhead absorption rate per unit?

A. $21

B. $27

C. $35

D. $29

Correct Answer: C

QUESTION 4

Which of the following is a valid definition of a cash budget?

A. A detailed budget of estimated cash inflows and outflows incorporating both revenue and capital items.

B. A detailed budget of estimated cash inflows only, incorporating receipts from cash sales as well as from credit customers.

C. A detailed budget of estimated cash inflows and outflows incorporating revenue items only.

D. A detailed budget of estimated cash outflows only, incorporating both depreciation and capital expenditure.

Correct Answer: C

Reference: https://www.acowtancy.com/textbook/acca-ma/d2-budget-preparation/cash-budgets/notes

QUESTION 5

The budget and actual cost statements for the production department for the latest period were as follows.

	Original budget		Actual	
Production units	6,000		6,600	
		$		$
Material	60,000 kg @ $3	180,000	67,000 kg @ $3.10	207,700
Labour: basic pay	1,000 hours @ $16	16,000	1,090 hours @ $16	17,440
overtime premium	100 hours @ $8	800	190 hours @ $8	1,520
Fixed costs		40,000		42,000
Total		236,800		268,660

Notes.

1.

The 10% increase in production was required to meet unexpected additional sales demand.

2.

The production manager is responsible for negotiating the price of materials with suppliers.

3.

The normal working time is 900 hours per period. Any overtime worked above these 900 hours is paid at a premium of 50%. In preparing the flexible budget for the latest period, which TWO of the following statements are correct? (Choose two.)

A. The fixed costs should be flexed to $40,000 + 10% = $44,000.

B. The material quantity should be flexed to 60,000 + 10% = 66,000 kg.

C. The basic pay hours should not be flexed; they should remain at 1,000 hours.

D. The overtime hours should be flexed to (1,000 + 10%) - 900 = 200 hours.

E. The material price should be flexed to the actual figure of $3.10 per kg.

Correct Answer: DE