



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

E3 - Strategic Management Question Tutorial

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### QUESTION 1

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>

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### QUESTION 2

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 3

Which of the following would NOT require taking into account the time value of money?

- A. Deciding to make a long-term investment in a project on the basis of its payback period.
- B. Selecting an investment project on the basis that it has a positive net present value (NPV).
- C. Calculating the present value of a five-year annuity.
- D. Taking a long-term investment decision on the basis of the project's internal rate of return (IRR).

Correct Answer: C

Reference: <https://www.acowtancy.com/textbook/acca-fm/d1-investment-appraisal-techniques/npv/notes>

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#### QUESTION 4

Which of the following is NOT a characteristic of useful operational level information?

- A. Sufficiently accurate.
- B. Focused on the decision to be made.
- C. Available immediately.
- D. Governed by financial reporting standards.

Correct Answer: C

#### 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

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