CIMAPRO19-P02-1 Q&As

P2 - Advanced Management Accounting

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QUESTION 1

An airline prides itself on using highly reliable aircraft that are maintained to the highest possible standard and that its flight crews are arguably the best in the industry. Despite that, the directors accept that there remains a slight possibility that

there will be a fatal accident.

Which THREE of the following statements are correct?

A. The airline appears to be behaving responsibly.

B. It is unlikely that any airline could totally eliminate all possibility of a fatal accident.

C. The airline\\'s directors can justify their behavior on the basis that they insist on exceeding all relevant statutory and industry safety standards.

D. Fatal air accidents can be justified on the basis that some risk is inevitable.

E. The airline should cease operations in order to eliminate the risk of a fatal accident.

Correct Answer: ABC

QUESTION 2

Which of the following would change if the cost of capital of a proposed project was increased?

A. Internal rate of return

B. Payback period

C. Accounting rate of return

D. Net present value

Correct Answer: D

QUESTION 3

A company makes three products, E, F and G. Total overheads for the year are expected to be $1.2 million, with the following split between cost pools: Cost driver information has been estimated as follows:

Number of quality inspections	84,000 inspections
Number of purchase requisitions	12,000 requisitions
Quantity of material handled	240,000 kilogrammes

The company plans to make 10,000 units of product E in the year, with an expected direct cost of $0.60 per unit. This annual production of product E is expected to require 20 quality inspections, 28 purchase requisitions, and 400

kilogrammes of materials.

What is the overhead cost per unit of product E?

A. $0.10

B. $0.70

C. $3.57

D. $4.17

Correct Answer: A

QUESTION 4

The following data relate to an investment opportunity. The percentage reduction in the annual revenue that could occur before the project is no longer financially viable is: A. 15.9%

	Year	Cash flow	Discount factor @ 10%	Present value
Initial investment	0	$(50,000)	1.000	$(50,000)
Revenue	1-5	$28,000	3.791	$106,148
Variable costs	1-5	$(12,000)	3.791	$(45,492)
Scrap proceeds	5	$10,000	0.621	$6,210

B. 56.0%

C. 28.6%

D. 212.3%

Correct Answer: A

QUESTION 5

Company S has two divisions, X and Y. Division X transfers 50,000 component units to Division Y each quarter. The market price of the component is $20. Division X\\'s variable cost is $10 per unit and its fixed cost is $150,000 each quarter.

What price would be credited to Division X for each component that it transfers to Division Y under:

two-part tariff pricing (where the two divisions have agreed that the fixed fee will be $100,000); and dual pricing (based on market price and marginal cost).

A. Two-part tariff pricing = $10 Dual pricing = $22

B. Two-part tariff pricing = $12 Dual pricing = $18

C. Two-part tariff pricing = $10 Dual pricing = $20

D. Two-part tariff pricing = $13 Dual pricing = $22

Correct Answer: C