CIMAPRO19-P02-1 Q&As

P2 - Advanced Management Accounting

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QUESTION 1

A company is classifying its quality costs to prepare a quality cost report. Which of the following are conformance costs? Select ALL that apply.

A. Internal Failure Costs

B. External Failure Costs

C. Prevention Costs

D. Appraisal Costs

Correct Answer: CD

QUESTION 2

DRAG DROP

The performance of an investment centre manager is assessed by return on investment (ROI) alone.

At present, his expected ROI for next year is 15%. The manager must now decide whether to invest in a new project that is expected to yield an ROI of 14%. The cost of capital is 12%.

Indicate whether each of the following statements is true or false.

Select and Place:

True	False

The manager will reject the project; this is a dysfunctional decision.	
The manager will reject the project; this is not a dysfunctional decision.	
The manager will accept the project; this is a dysfunctional decision.	
The manager will accept the project; this is not a dysfunctional decision.	
If the manager was assessed by residual income (RI) alone, then he would make a dysfunctional decision about the project.	
If the manager was assessed by residual income (RI) alone, then he would not make a make a dysfunctional decision about the project.	

Correct Answer:

True	False

The manager will reject the project; this is a dysfunctional decision.	True
The manager will reject the project; this is not a dysfunctional decision.	False
The manager will accept the project; this is a dysfunctional decision.	False
The manager will accept the project; this is not a dysfunctional decision.	False
If the manager was assessed by residual income (RI) alone, then he would make a dysfunctional decision about the project.	False
If the manager was assessed by residual income (RI) alone, then he would not make a make a dysfunctional decision about the project.	True

QUESTION 3

A public sector service organization is considering whether to use a balanced scorecard or a value for money approach based on the three Es to assess its performance. Which of the following are correct comparisons of the balanced scorecard and value for money based on the three Es as performance measurement frameworks? Select ALL that apply.

A. Efficiency is measured as one of the three Es but the balanced scorecard does not measure efficiency.

B. If the organization wishes to consider both financial and non-financial performance then the balanced scorecard should be used rather than the three Es.

C. The public\\'s satisfaction with the organization\\'s services can be measured by both the three Es and the balanced scorecard.

D. The balanced scorecard is concerned with meeting the organization\\'s objectives whereas the three Es approach is concerned only with reducing costs.

E. The three Es approach was designed for public sector service organizations, but the balanced scorecard approach can also be used in the public sector.

Correct Answer: CE

QUESTION 4

SQ has the opportunity to invest in project X. The net present value for project X is $12,600. Cash inflows occur in years 1, 2 and 3. The company\\'s cost of capital is 14%. Calculate the annualized equivalent annuity of project X. Give your answer to the nearest whole $.

A. $5429

Correct Answer: A

QUESTION 5

Which of the following statements is true?

A. Risk transfer means the management of a portfolio of different risks.

B. Insuring risks means that businesses will not need to take any measures to reduce those risks.

C. High frequency, high severity risks are always strategic risks.

D. Risk hedging is taking action to offset one risk by incurring a new risk in the opposite direction.

Correct Answer: D