



# CIMAPRO17-BA1-X1-ENG<sup>Q&As</sup>

BA1 - Fundamentals of Business Economics Question Tutorial

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### QUESTION 1

Company A is looking to protect itself from transaction exchange rate risk.

Company A does not require 100% of the value of transaction to be protected, and it would like the method it uses to have the following characteristics:

An agreed exchange rate for a specified period where both parties have a legal obligation.

A separation of the contract guaranteeing the price of the currency from the underlying transaction.

Which of the following would best provide the type of protection from exchange rate risk company A wants?

- A. Future
- B. Option
- C. Forward contract
- D. Floating exchange rate

Correct Answer: C

Reference: <https://www.investopedia.com/terms/f/forward-exchange-contract.asp>

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### QUESTION 2

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An estimation regression is developed to test the linear relationship between the size of student population at a university and monthly sales of a nearby bookshop. The correlation coefficient is equal to 0.9.

Calculate the coefficient of determination to two decimal places:

- A. 0.31

Correct Answer: A

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### QUESTION 3

Which TWO of the following policy actions might be available to a government that wishes to reduce a deficit in the balance of payments? (Choose two.)

- A. Devalue the exchange rate in order to increase exports.
- B. Increase the money supply in order to stimulate domestic consumption.
- C. Appreciate the exchange rate in order to reduce imports.



- D. Reduce the interest rate in order to stimulate investment.
- E. Introduce tariffs on imported goods in order to favour domestic producers.

Correct Answer: AE

#### QUESTION 4

Which of the following is correct regarding data? Data can be recorded as:

- (1)  
numbers.
- (2)  
symbols.
- (3)  
raw facts.

- A.  
(1) only
- B.  
(3) only
- C.  
(1) and (2)
- D.  
(1), (2) and (3)

Correct Answer: B

Reference: <https://books.google.com.pk/books?id=Ume4QCL6ZFoCandpg=PA42andlpg=PA42anddq=CIMA+data+can+be+records+as+numbers+raw+factsandsource=blandots=knOGJO4vM3andsig=ACfU3U3Lj9t73glcqX1o9Glzcmac5FD Tgandhl=enandsa=Xandved=2ahUKEwj4jy2K7nAhUkREEAHcxXCTgQ6AEwAHoECAoQAQ#v=onepageandq=CIMA%20data%20can%20be%20records%20as%20numbers%20raw%20factsandf=false>

#### QUESTION 5

Which TWO of the following business costs are directly affected by a rise in the interest rate? (Choose two.)

- A. The cost of procuring equity finance.
- B. The cost of complying with government regulations.



- C. The cost of borrowing from private lenders.
- D. The cost of accessing government subsidies.
- E. The cost of procuring intermediate goods.

Correct Answer: AC

Reference: [http://www.cimaglobal.com/Documents/Student%20docs/2011\\_CBA/C04\\_monetarypolicy\\_june2005.pdf](http://www.cimaglobal.com/Documents/Student%20docs/2011_CBA/C04_monetarypolicy_june2005.pdf)

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#### QUESTION 6

Futures are like forwards in that:

- A. futures are a binding contract.
- B. futures can be traded on future exchanges.
- C. futures are standardized contracts for standardized amounts.
- D. futures always cover the exact foreign currency exposure.

Correct Answer: B

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#### QUESTION 7

Which of the following describes the slope of a normal supply curve?

- A. Upwards from right to left.
- B. Upwards from left to right.
- C. Downwards from left to right.
- D. Downwards from right to left.

Correct Answer: B

Reference: <https://www.britannica.com/topic/supply-curve>

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#### QUESTION 8

Dividend income from shares held overseas is recorded in which of the following balance of payments components?

- A. Capital account
- B. Financial account
- C. Profit account
- D. Current account



Correct Answer: D

Reference: <https://www.thebalance.com/current-account-definition-and-4-components-3306265>

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### QUESTION 9

The government of Country Z imposes a tariff on all imports of coal from other countries. Which THREE of the following are possible effects of this decision in Country Z? (Choose three.)

- A. The cost of living will fall.
- B. Employment in the coal industry will increase.
- C. The balance of payment will improve.
- D. Government's revenue will improve.
- E. Coal producers will adopt new technologies to improve efficiency.
- F. More resources will be allocated to alternative energy sources.

Correct Answer: CDF

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### QUESTION 10

Market price refers to:

- A. the price that is determined by demand and supply.
- B. the price that includes tax.
- C. the value that is adjusted for inflation.
- D. the price that maximizes profits.

Correct Answer: A

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