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BA1 - Fundamentals of Business Economics Question Tutorial

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QUESTION 1

A commercial airline uses its database to develop the following regression model to predict the cost of a flight Y (in dollars) by number of passengers:

$$Y = 1,570 + 40.7x$$

Which of the following statements is correct in relation to the airline?

- A. The cost of a flight will increase by \$40.7 when an additional passenger is added to the flight.
- B. The regression model makes accurate predictions for this commercial airline, therefore it will provide good forecasts for other commercial airlines.
- C. The positive intercept in the model indicates a positive relationship between the cost of a flight and the number of passengers.
- D. If each pair of data points is plotted on a graph with Y on the vertical axis and X on the horizontal axis, there will be a downward sloping line.

Correct Answer: D

QUESTION 2

Company A owns a factory in a foreign country. Which of the following types of exchange rate risk is company A most likely to experience in relation to the value of the factory?

- A. Economic risk
- B. Energy risk
- C. Transaction risk
- D. Translation risk

Correct Answer: D

Reference: https://webcache.googleusercontent.com/search?q=cache:rUr_SO58tB8J:https://www.acowtancy.com/textbook/cima-ba1/d3-impact-of-changes-in-interest-and-exchange-rates-on-controlling-and-measuring-businessperformance/impact-of-exchange-rate-changes/notes+andcd=1andhl=enandct=clnkandgl=pkandclient=opera

QUESTION 3

Organizations are able to achieve more than individuals can achieve because they allow people to do which THREE of the following? (Choose three.)

- A. To devolve decision-making
- B. To pool resources
- C. To share skills and knowledge

- D. To specialize
- E. To earn profits
- F. To create hierarchies

Correct Answer: BCD

Reference: https://kaplanpublishing.co.uk/docs/librariesprovider3/look-inside/cima/certificate/fundamentals-of-business-economics-ba1/look-inside-study-text-2020-ba1-fundamentals-of-business-economics.pdf?sfvrsn=8bbc7a01_2 (21)

QUESTION 4

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

QUESTION 5

A manufacturing company is considering a new investment project.

Which TWO of the following would reduce the net present value of the investment to the business? (Choose two.)

- A. A rise in the scrap value of the project at the end of its life.
- B. A reduction in the expected level of future sales.
- C. A rise in interest rates.
- D. A fall in the initial capital cost of the project.
- E. An expected fall in the future price of components used by the business.

Correct Answer: CE

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