

CIMAPRO17-BA1-X1-ENG^{Q&As}

BA1 - Fundamentals of Business Economics Question Tutorial

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QUESTION 1

An institution offers an 8 percent compound interest rate annually for six years, for an investment of \$250,000.

What is the total amount of interest that would be received over the six years?

- A. \$370,000.00
- B. \$396,718.58
- C. \$146,718.58
- D. \$120,000.00

Correct Answer: D

QUESTION 2

A company currently sells 10,000 bottles of "bright pink" nail varnish every year at \$5 per bottle. If the price is reduced to \$4.50 per bottle it is expected that the company will sell an extra 2,000 bottles.

What is the price elasticity of demand of the nail varnish?

- A. -2.0
- B. +2.0
- C. -0.5
- D. +0.5

Correct Answer: B

QUESTION 3

A business has a short-term problem with its payments exceeding its receipts. Which TWO of the following would be appropriate for meeting this financial shortfall? (Choose two.)

- A. A bank overdraft
- B. A bill of exchange
- C. A mortgage
- D. Issuing shares
- E. A leasing arrangement

Correct Answer: AB

QUESTION 4

Which of the following is correct in relation to businesses?

In order to maximize shareholder wealth, the primary objective of a business can be reflected in:

- (1)
higher investment
 - (2)
higher sales revenue
 - (3)
higher share prices
 - (4)
higher dividend payments.
- A.
(1) and (3)
- B.
(3) and (4)
- C.
(1) and (2)
- D.
(2) and (4)

Correct Answer: B

Reference: <http://www.cimaglobal.com/Documents/Student%20docs/2010%20syllabus%20docs/F3/F3%20May%202014%20-%20Answers%20for%20web.pdf>

QUESTION 5

Which TWO of the following are positive impacts for a national economy which hosts a multinational company's (MNC) production facilities within their country? (Choose two.)

- A. Mobile MNCs mean that operations can easily be transferred from one economy to another.
- B. MNCs provide employment opportunities in other countries for skilled workers from the host country.
- C. Local producers can copy superior processes from the MNC which raises productivity within the recipient economy.
- D. Direct financial investment should improve economic welfare as capital is transferred to economies where the

marginal rate of return on capital is highest.

E. MNCs can use transfer pricing to ensure taxes are minimized within a recipient economy.

Correct Answer: CD

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