CIMAPRO17-BA2-X1-ENG Q&As

E3 - Strategic Management Question Tutorial

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QUESTION 1

A company is considering investing $57,000 in a machine that will last for five years, after which time it will have no value. The machine will generate additional revenue of $190,000 each year. Annual running costs, including depreciation of $11,400 will amount to $168,400.

Assuming that all cash flows occur evenly, the payback period of the investment in the machine is closest to:

A. 2 years 8 months

B. 1 year 9 months

C. 1 year 7 months

D. 2 years 6 months

Correct Answer: C

QUESTION 2

Which of the following would NOT require taking into account the time value of money?

A. Deciding to make a long-term investment in a project on the basis of its payback period.

B. Selecting an investment project on the basis that it has a positive net present value (NPV).

C. Calculating the present value of a five-year annuity.

D. Taking a long-term investment decision on the basis of the project\\'s internal rate of return (IRR).

Correct Answer: C

Reference: https://www.acowtancy.com/textbook/acca-fm/d1-investment-appraisal-techniques/npv/notes

QUESTION 3

A company has spent $5,000 on a report into the viability of using a subcontractor. The report highlighted the following:

A machine purchased six years ago for $30,000 would become surplus to requirements. It has a written-down value of $10,000 but would be resold for $12,000.

A machine operator would be made redundant and would receive a redundancy payment of $40,000.

The administration of the subcontractor arrangement would cost the company $25,000 each year.

Which THREE of the following are relevant for the decision? (Choose three.)

A. A relevant cost of $5,000 for the viability report.

B. A relevant cost of $30,000 for the machine.

C. A relevant cost of $40,000 for the redundancy payment.

D. A relevant cost of $10,000 for the machine.

E. A relevant cost of $25,000 each year for administration.

F. A relevant revenue of $12,000 for the machine.

Correct Answer: ADE

QUESTION 4

A company has two production departments and two service departments (Maintenance and Stores). The overhead costs of each of the departments are as follows.

Production Dept. 1	Production Dept. 2	Maintenance	Stores
$65,000	$60,000	$4,700	$5,800

The following equations represent the reapportionment of each of the service department overheads to the other.

M = 4,700 + 0.1S S = 5,800 + 0.2M

Where M = total Maintenance overhead after reapportionment from Stores S = total Stores overhead after reapportionment from Maintenance 60% of the total Maintenance overhead and 50% of the total Stores overhead are to be apportioned to Production Department 1.

The total production overhead for Production Department 1 after reapportionment of the service departments\\' overhead costs is closest to:

A. $71,672

B. $75,500

C. $70,720

D. $71,821

Correct Answer: C

QUESTION 5

The following data are available for a company that produces and sells a single product.

The company\\'s opening finished goods inventory was 2,500 units.

The fixed overhead absorption rate is $8.00 per unit.

The profit calculated using marginal costing is $16,000.

The profit calculated using absorption costing and valuing its inventory at standard cost is $22,400.

The company\\'s closing finished goods inventory is:

A. 3,300 units

B. 1,700 units

C. 3,900 units

D. 8,900 units

Correct Answer: A