

CIMAPRO17-BA2-X1-ENG^{Q&As}

E3 - Strategic Management Question Tutorial

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QUESTION 1

Which of the following is NOT a valid purpose of budgeting?

- A. To communicate targets to managers.
- B. To comply with financial reporting requirements.
- C. To coordinate the different activities of an organisation.
- D. To authorise managers to incur expenditure.

Correct Answer: D

Reference: <https://www.acowtancy.com/textbook/acca-pm/budgetary-systems/budgetary-systems/notes>

QUESTION 2

Which of the following would NOT be an appropriate performance measure for a profit centre manager?

- A. Return on capital employed
- B. Contribution per unit
- C. Sales price variance
- D. Gross margin

Correct Answer: B

QUESTION 3

A company that uses standard costing wishes to reconcile the difference between the profit for a period calculated using absorption costing with that calculated using marginal costing.

Which TWO of the following will NOT help with this reconciliation? (Choose two.)

- A. The actual fixed production overheads.
- B. The closing inventory.
- C. The opening inventory.
- D. The under or over absorbed fixed production overheads.
- E. The fixed production overhead absorption rate.

Correct Answer: AE

QUESTION 4

A company is appraising two projects. Both projects are for five years. Details of the two projects are as follows.

	Project A	Project B
Investment	\$1,000,000	\$500,000
Annual cash inflows	\$350,000	\$175,000

Based on the above information, which of the following statements is correct?

- A. An annuity could be used to calculate the net present value of the projects.
- B. The annuity factor for project A would be lower than the annuity factor for the project B.
- C. A perpetuity could be used to calculate the net present value of the projects.
- D. The annuity factor for project A would double the annuity factor for project B.

Correct Answer: A

QUESTION 5

A company's policy is to hold closing inventory each month equal to 10% of the next month's budgeted sales volume. The budgeted sales volumes of product Q for months 1 and 2 are 1,660 units and 2,300 units respectively. The production budget for product Q for month 1 is:

- A. 1,596 units
- B. 1,494 units
- C. 1,724 units
- D. 1,890 units

Correct Answer: B

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