

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

BA1 - Fundamentals of Business Economics Question Tutorial

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QUESTION 1

A clothes retailer has estimated a linear trend equation including trend, seasonal and cyclical components to forecast its sales for the next four quarters. Which of the following factors would generate actual sales figures that are likely to differ markedly from the forecast?

- A. A drop in sales due to emergency roadwork blocking access to the store.
- B. A drop in sales due to the ongoing economic recession.
- C. An increase in sales due to the increasing popularity of their brand.
- D. An increase in sales before a major religious festival.

Correct Answer: D

QUESTION 2

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

QUESTION 3

Setting a minimum wage above the equilibrium wage:

- A. has no effect on unemployment, and setting a minimum wage below the equilibrium wage results in increased unemployment.
- B. results in increased unemployment, and setting a minimum wage below the equilibrium wage has no effect on unemployment.
- C. results in decreased unemployment, and setting a minimum wage below the equilibrium wage results in increased unemployment.
- D. results in increased unemployment, and setting a minimum wage below the equilibrium wage results in decreased unemployment.

Correct Answer: C

QUESTION 4

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 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

QUESTION 6

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 7

Which of the following organizational arrangements is an example of a multinational corporation (MNC)?

- A. An insurance company based in Country E opens a sales office in Country F in order to service the local market.
- B. A music production company based in Country C signs a contract with an artist's management company based in Country D.
- C. A retailer based in Country G uses an online retail platform in order to sell goods to customers in Country H.
- D. A chain of restaurants based in Country signs a franchise agreement with a company that intends to open restaurants in Country A.

Correct Answer: D

QUESTION 8

For a typical business, which of the following is NOT a potential benefit of globalisation?

- A. Lower cost sites for the location of production.
- B. Simultaneously improved terms of trade for all countries.
- C. Wider sources of supply for inputs.
- D. Larger markets for outputs.

Correct Answer: B

QUESTION 9

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 10

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>

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