

# CIMAPRO17-BA2-X1-ENG<sup>Q&As</sup>

E3 - Strategic Management Question Tutorial

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**QUESTION 1**

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A company uses full cost pricing. The unit costs for product Z are given below.

	\$ per unit
Direct materials	12.00
Direct labour	5.00
Production overhead	6.00
Selling and distribution overhead	5.00
Administration overhead	2.00

What price per unit should be charged in order to achieve a profit margin of 20%? Give your answer to the nearest cent.

A. \$25

Correct Answer: A

**QUESTION 2**

Which of the following statements regarding variances is valid?

- A. Using higher quality material than standard could explain an adverse labour efficiency variance.
- B. Improved maintenance of production machinery could explain an adverse material usage variance.
- C. An adverse labour rate variance could explain a favourable labour efficiency variance.
- D. Poor supervision could explain a favourable labour rate variance.

Correct Answer: C

Reference: <https://accounting-simplified.com/management/variance-analysis/labor/rate.html>**QUESTION 3**

A company produces a single product for which the following cost data are available.

	\$ per unit
Direct material	3
Direct labour	4
Production overhead	2
Selling and distribution overhead	2

Analysis by the management accountant has shown that 100% of direct material cost and 50% of direct labour cost are variable costs. 50% of production overhead and 100% of selling and distribution overhead are variable costs.

What is the marginal cost per unit?

- A. \$6
- B. \$7
- C. \$8
- D. \$9

Correct Answer: B

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#### QUESTION 4

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

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#### QUESTION 5

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>

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### QUESTION 6

A confectionery manufacturer is considering adding a new product to the current range. Forecast data for the product are as follows.

	\$ per unit
Selling price	500
Variable cost	330
Contribution	170

Incremental fixed costs attributable to the new product are forecast to be \$24,000 each period.

The forecast sales volume of 180 units is insufficient to achieve the target profit of \$10,000 each period.

Which of the following statements is correct?

- A. The margin of safety is negative because the target profit will not be achieved from the forecast sales volume.
- B. If the fixed cost is changed to \$20,000 the sales volume required to break even will decrease.
- C. If the forecast sales volume is changed to 190 units the sales volume required to achieve the target profit will decrease.
- D. If the selling price is changed to \$510 the sales volume required to achieve the target profit will increase.

Correct Answer: C

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### QUESTION 7

A company operates an integrated standard cost accounting system. The standard price of raw material A is \$20 per litre. At the start of period 1, the inventory of 500 litres of raw material A was valued at \$20 per litre. During period 1, 100 litres of raw material A were purchased at an actual price of \$21 per litre. During period 2, 550 litres of raw material A were issued to Job 789.

In respect of the above events, which TWO of the following statements are correct? (Choose two.)

- A. The raw material inventory at the end of period 1 should include 100 litres valued at \$21 per litre.
- B. An adverse material price variance should be recorded in the statement of profit or loss for period 1.

- C. The raw material inventory at the end of period 2 should be valued at \$20 per litre.
- D. An adverse material price variance should be recorded in the statement of profit or loss for period 2.
- E. The first 500 litres of raw material A issued should be debited to the Job 789 account at \$20 per litre, and the remaining 50 litres at \$21 per litre.

Correct Answer: DE

### QUESTION 8

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A company has three production departments X, Y and Z, and one service department.

The service department's overhead has been apportioned to the production departments in the ratio 3:2:5. As a result of this apportionment, \$2,070 was given to Department Y.

What is the amount of service department overhead that would have been apportioned to Department Z? Give your answer to the nearest dollar.

- A. \$5,175

Correct Answer: A

### QUESTION 9

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A company absorbs production overhead using a direct labour hour rate. Data for the latest period are as follows:

Actual overhead incurred	\$190,750
Over absorbed overhead	\$1,750
Actual activity	35,000 direct labour hours

What is the overhead absorption rate per direct labour hour? Give your answer to one decimal place.

- A. 5.4

Correct Answer: A

### QUESTION 10

A company uses an integrated accounting system. The following data relate to the latest period.

<b>Total production overheads</b>	
Budgeted	\$218,000
Actual	\$242,880
<b>Production volumes</b>	
Budgeted	5,000 units
Actual	5,520 units

At the end of the period, the entry in the production overhead control account in respect of under or over absorbed overheads will be:

- A. \$22,672 debit.
- B. \$2,208 credit.
- C. \$2,208 debit.
- D. \$22,672 credit.

Correct Answer: A

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