



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

BA1 - Fundamentals of Business Economics Question Tutorial

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**QUESTION 1**

Which of the following statements defines a diseconomy of scale?

- A. A reduction in the unit average cost caused by increasing the scale of production in the long run.
- B. An increase in the unit average cost caused by increasing the scale of production in the long run.
- C. An increase in the unit average cost caused by decreasing the scale of production in the long run.
- D. A reduction in the unit average cost caused by decreasing the scale of production in the long run.

Correct Answer: C

Reference: <https://www.acowtancy.com/textbook/cima-ba1/economic-and-social-considerations-and-the-regulation-of-markets/diseconomies-of-scale/notes>

QUESTION 2

Company A owns a factory in a foreign country. Which of the following types of exchange rate risk is company A most likely to experience in relation to the value of the factory?

- A. Economic risk
- B. Energy risk
- C. Transaction risk
- D. Translation risk

Correct Answer: D

Reference: https://webcache.googleusercontent.com/search?q=cache:rUr_SO58tB8J:https://www.acowtancy.com/textbook/cima-ba1/d3-impact-of-changes-in-interest-and-exchange-rates-on-controlling-and-measuring-businessperformance/impact-of-exchange-rate-changes/notes+andcd=1andhl=enandct=clnkandgl=pkandclient=opera

QUESTION 3

A client agrees to invest \$100,000 three years from now in a business project, and decides to deposit funds today in a bank account that pays 6 percent compound interest annually.

How much does the client need to deposit in order to be able invest \$100,000 in three years time?

- A. \$82,000
- B. \$83,961.93
- C. \$119101.6
- D. \$83,748.43



Correct Answer: C

QUESTION 4

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 5

Which THREE of the following constitute injections into the circular flow of income? (Choose three.)

- A. Savings
- B. Exports
- C. Government expenditure
- D. Investment
- E. Imports
- F. Taxation

Correct Answer: BCD

Reference: <https://www.tutor2u.net/economics/blog/study-note-the-circular-flow-of-income>

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