CIMAPRO17-BA2-X1-ENG Q&As

E3 - Strategic Management Question Tutorial

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QUESTION 1

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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 2

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 3

A project is about to be launched. Two of the three possible outcomes and their associated probabilities are as follows:

$25,000 loss	0.2
$30,000 gain	0.7

The remaining possible outcome is a $70,000 gain.

What is the correct calculation of the expected value of the project?

A. ($30,000 + $70,000 - $25,000) / 3

B. ($30,000 + $70,000 - $25,000) x (0.7 + (1.0 - (0.2 + 0.7)) + 0.2)

C. ($30,000 x 0.7) + ($70,000 x (1.0 - (0.2 + 0.7))) + ($25,000 x 0.2)

D. ($30,000 x 0.7) + ($70,000 x (1.0 - (0.2 + 0.7))) - ($25,000 x 0.2)

Correct Answer: A

QUESTION 4

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The following data are available for a delivery company. The table shows the number of tonnes delivered (x) and the associated distribution cist (y) in recent periods.

Period	Tonnes delivered (x) 000s	Distribution cost (y) $000
1	14.5	465
2	17.0	529
3	13.5	444
4	12.5	417
5	17.5	542
	75.0	2,397

Further analysis of this data has determined the following: xy = 36,427 x2 = 1,144

Using least squares regression analysis, calculate the variable cost per tonne delivered. Give your answer to the nearest cent.

A. -128.10

Correct Answer: A

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