CIMAPRO17-BA2-X1-ENG Q&As

E3 - Strategic Management Question Tutorial

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QUESTION 1

A company has two production departments and two service departments (Maintenance and Stores). The overhead costs of each of the departments are as follows.

Production Dept. 1	Production Dept. 2	Maintenance	Stores
$65,000	$60,000	$4,700	$5,800

The following equations represent the reapportionment of each of the service department overheads to the other.

M = 4,700 + 0.1S S = 5,800 + 0.2M

Where M = total Maintenance overhead after reapportionment from Stores S = total Stores overhead after reapportionment from Maintenance 60% of the total Maintenance overhead and 50% of the total Stores overhead are to be apportioned to Production Department 1.

The total production overhead for Production Department 1 after reapportionment of the service departments\\' overhead costs is closest to:

A. $71,672

B. $75,500

C. $70,720

D. $71,821

Correct Answer: C

QUESTION 2

In a company that manufactures many different products on the same production line, which TWO of the following would NOT be classified as indirect production costs? (Choose two.)

A. Salary paid to the factory manager.

B. Factory rent.

C. Maintenance costs for the company\\'s only production line.

D. Commissions paid to the sales team.

E. Royalties paid to the designers of the products.

Correct Answer: AB

QUESTION 3

The following data relate to the latest period.

	Original budget	Flexible budget	Actual
Sales and production volume	1,000 units	1,100 units	1,100 units
Sales	1,000 units @ $80	1,100 units @ $80	1,100 units @ $79
Material cost	2,000 kg @ $15	2,200 kg @ $15	2,190 kg @ $14.90
Labour cost	500 hours @ $20	550 hours @ $20	560 hours @ $20.50

A statement is to be prepared that reconciles the difference between the flexible budget profit and the actual profit. Which TWO of the following will appear on this statement? (Choose two.)

A. A favourable labour rate variance.

B. A favourable sales volume contribution variance.

C. An adverse sales price variance.

D. An adverse labour efficiency variance.

E. An adverse material price variance.

Correct Answer: CD

QUESTION 4

The forecast costs per unit for a new product are as follows:

	$
Direct (variable) material	15
Direct (variable) labour	12
Fixed production overheac	6

The company uses marginal cost plus pricing and all products are required to achieve a 40% margin. What would be the selling price per unit?

A. $37.80

B. $46.20

C. $45.00

D. $55.00

Correct Answer: B

QUESTION 5

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

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