



CIMAPRO19-P02-1^{Q&As}

P2 - Advanced Management Accounting

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QUESTION 1

Which of the following activities are included within activity based management (ABM)?

1.
Cost reduction
 2.
Product design decisions
 3.
Variance analysis
 4.
Operational control
 5.
Performance evaluation
- A. 3, 4 and 5 only.
- B. 1, 2, 4 and 5 only.
- C. 1, 3, 4 and 5 only
- D. All of them.

Correct Answer: B

QUESTION 2

Kaizen costing is being used by an organization to gradually reduce the unit cost of one of its products in order to achieve a 20% mark up on the product's cost. The selling price of the product must be \$72 per unit and this selling price has

been maintained for two years.

Two years ago the product's cost was \$3 per unit more than its selling price. Kaizen costing has achieved an 8% reduction from the previous period's unit cost in each of the past two years. The organization expects to continue to achieve the

same rate of cost reduction next year. Which of the following statements provides an accurate analysis of the extent to which Kaizen costing has been successful in achieving the required unit cost for the product?

- A. Kaizen costing has successfully achieved the necessary cost reduction.



- B. The current cost is \$63.00 per unit and the required unit cost will be achieved next year.
- C. Kaizen costing has not yet achieved the required unit cost of \$57.60 because a greater rate of reduction in costs was needed.
- D. The current cost is \$63.48 per unit and the required unit cost will be achieved next year.

Correct Answer: D

QUESTION 3

DRAG DROP

Place each performance measure against the correct perspective of the Balanced Scorecard for a company that operates a chain of hotels.

Select and Place:

Percentage of revenue earned from new sources		Financial Customer Internal business process Learning and growth
Operating profit margin		
Average waiting time at check-in desk		
Average time to clean a standard bedroom		

Correct Answer:

Percentage of revenue earned from new sources	Learning and growth
Operating profit margin	Financial
Average waiting time at check-in desk	Customer
Average time to clean a standard bedroom	Internal business process

QUESTION 4

An organization is considering purchasing a new machine which will cost \$600,000. The new machine will generate cost savings of \$200,000 each year for five years. The cost of capital is 12%. The profitability index (PI) for the investment in the new machine is:



Give your answer to one decimal place.

A. 1.2, 0.2

Correct Answer: A

QUESTION 5

In an inflationary environment which is the correct way of calculating net present value (NPV)?

A. Using nominal cash flows and a nominal discount rate.

B. Forecasting the cash flows including the effect of inflation and then using a real discount rate.

C. Using real cash flows and a nominal discount rate.

D. Forecasting the cash flows excluding the effect of inflation and then using a nominal discount rate.

Correct Answer: A

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