



CIMAPRO19-P02-1^{Q&As}

P2 - Advanced Management Accounting

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**QUESTION 1**

Endure Co. makes 1,000 units of X and 2,000 units of Y. Costs for X: Material \$4, labour \$8, direct overhead \$2, fixed cost \$4. Costs for Y: Material \$9, labour \$9, direct overhead \$4, fixed cost \$6. Selling price for X and Y are \$19 and \$25 respectively. Another company can sell ready made product X and product Y's to Endure Co, this company sells X at \$12 and Y at \$21. Advise Endure Co. on what would be the most cost effective way to source products X and Y.

- A. Endure should buy X and Y from the other supplier.
- B. Endure should buy X but produce Y themselves.
- C. Endure should produce both X and Y themselves.
- D. Endure should buy Y but produce X themselves.

Correct Answer: A

QUESTION 2

Performance measures that monitor the extent to which a not-for-profit organization's objectives have been achieved are measures of:

- A. economy
- B. efficiency
- C. effectiveness
- D. enterprise

Correct Answer: C

QUESTION 3

Which of the following is a key objective when agreeing a basis for setting transfer prices?

- A. Promoting goal congruence
- B. Increasing market share
- C. Rewarding profit centre managers
- D. Allocating overhead costs effectively

Correct Answer: A

QUESTION 4



Which of the following are TRUE about the theory of constraints? Select ALL that apply.

- A. Each resource should be put to its most profitable use
- B. Relieve all the constraints in a system simultaneously to ensure optimality
- C. Ensure that each constraint is being used efficiently
- D. Relieve constraints until the cost of relieving the last constraint exceeds the benefit

Correct Answer: ACD

QUESTION 5

DRAG DROP

Which of the following criticisms relate to traditional budgeting methods and which relate to the 'beyond budgeting' approach?

Select and Place:

Unresponsive to external changes	<input type="text"/>	Traditional budgeting Beyond budgeting
Requires a deep structural change which is difficult for organizations to implement	<input type="text"/>	
Focuses on cost control rather than value creation	<input type="text"/>	
Has no centralised annual spending plan thus there is a risk of over-spending on less-than-critical items	<input type="text"/>	
Resources are pre-allocated rather than being available to managers on demand	<input type="text"/>	
Encourages extensive delegation of responsibility thus increasing the risk of sub-optimal decisions	<input type="text"/>	

Correct Answer:



Unresponsive to external changes	Traditional budgeting	
Requires a deep structural change which is difficult for organizations to implement	Beyond budgeting	
Focuses on cost control rather than value creation	Traditional budgeting	Traditional budgeting
Has no centralised annual spending plan thus there is a risk of over-spending on less-than-critical items	Beyond budgeting	Beyond budgeting
Resources are pre-allocated rather than being available to managers on demand	Traditional budgeting	
Encourages extensive delegation of responsibility thus increasing the risk of sub-optimal decisions	Beyond budgeting	

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