



CIMAPRO19-P02-1^{Q&As}

P2 - Advanced Management Accounting

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QUESTION 1

DRAG DROP

An investment appraisal has identified that a project has a positive net present value when discounted at the company's cost of capital. If the cost of capital is now increased, indicate whether each of the following appraisal measures will increase, decrease or stay the same.

Select and Place:

Payback period		
Internal rate of return		Increase
Accounting rate of return		Decrease
Net present value		Stay the same
Discounted payback period		
Modified internal rate of return		

Correct Answer:

Payback period	<input type="checkbox"/> Stay the same <input type="checkbox"/>	
Internal rate of return	<input type="checkbox"/> Stay the same <input type="checkbox"/>	Increase
Accounting rate of return	<input type="checkbox"/> Stay the same <input type="checkbox"/>	Decrease
Net present value	<input type="checkbox"/> Decrease <input type="checkbox"/>	Stay the same
Discounted payback period	<input type="checkbox"/> Increase <input type="checkbox"/>	
Modified internal rate of return	<input type="checkbox"/> Increase <input type="checkbox"/>	

**QUESTION 2**

A supermarket group has experienced operational problems during recent years, including a shortage of warehousing space due to increasing turnover and poor inventory management. The product portfolio has expanded considerably.

Although this has led to increased sales volume, marketing and logistics costs have increased disproportionately. Non product-specific costs have also increased significantly.

Management is now considering using Direct Product Profitability (DPP).

Which of the following statements are valid in respect of the possible implementation of DPP within the supermarket group?

Select ALL that apply.

- A. DPP should result in improved management of storage space.
- B. DPP should result in improved supplier relationships.
- C. DPP should result in improved pricing decisions.
- D. DPP requires non product-specific costs to be apportioned rather than allocated.
- E. DPP provides summary information on the profitability of each customer group.

Correct Answer: ABC

QUESTION 3

Which of the following statements is NOT correct?

Transfer prices between responsibility centers should be set at a level that:

- A. provides an artificial selling price that enables the transferring division to earn a return for its efforts and the receiving division to incur a cost for benefits received.
- B. enables profit centre performance to be measured 'commercially'.
- C. encourages a balance of goal congruence, managerial effort and centralized management.
- D. encourages profit centre managers to agree on the amount of goods and services to be transferred at a level that is consistent with organizational aims.

Correct Answer: C

QUESTION 4

\$30.328 million is to be invested in a project that will yield annual net cash inflows of \$8 million for 5 years.

What is the project's internal rate of return (IRR)?



Give your answer to the nearest whole percentage.

A. 9 %, 10 %, 11 %

Correct Answer: A

QUESTION 5

PorkyCo is a leading bread manufacturer in Toyland operating two functional divisions: pulled and roasted. PorkyCo uses IT systems in all of its functions, for example, accounting has one system, manufacturing has its system, warehousing has another and human resources is the latest to develop a dedicated system to manage training and development. The issue now is that when the CEO, Mr Button, needs information about two or more functions, he has to convene the department heads to get their reports and then study each in turn. As senior management accountant at PorkyCo, help free up Mr Button's time by suggesting the most efficient way of getting all the information he needs.

- A. Deploy ERP technology.
- B. Merge loaves and rolls into a single vertical.
- C. Move to a networked organisation.
- D. Create an intranet.
- E. Deploy an extranet.

Correct Answer: A

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