



# CIMAPRO19-P02-1<sup>Q&As</sup>

P2 - Advanced Management Accounting

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### QUESTION 1

Which of the following statements about learning curves is correct?

- A. The learning index for an 80% learning curve is calculated as  $\log 2$  divided by  $\log 0.8$ .
- B. The learning index for an 80% learning curve is calculated as  $\log 0.8$  divided by  $\log 2$ .
- C. A 90% learning curve indicates a faster rate of learning than an 80% learning curve.
- D. The learning index will always have a positive value.

Correct Answer: B

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### QUESTION 2

An organization has the right to mine for gold on its land. The price of gold and the cost of extraction are such that mining is not currently financially viable. However, the organization has the right to commence mining at any time in the future

if the price of gold increases and makes mining financially viable.

This right to commence mining in the future is an option to:

- A. abandon
- B. redeploy
- C. expand
- D. delay

Correct Answer: D

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### QUESTION 3

A company is determining the selling price for its new product. At a selling price of \$16 per unit there will be zero demand but for every \$1 reduction in the price, demand will increase by 100 units per period.

Production must be in batches of 100 units. The variable cost per unit will be \$8 if 400 units are produced in a period. For each additional batch produced in a period the variable cost per unit will increase by \$1 per unit for the additional batch

only.

No inventories will be held.

Which of the following sales and production volumes will generate the highest contribution per period?

- A. 400 units



B. 500 units

C. 600 units

D. 700 units

Correct Answer: B

#### QUESTION 4

A company is considering four mutually exclusive projects. There are three possible future demand conditions but the company has no idea of the probability of each of these demand conditions occurring. The forecast net present values (NPVs) of each of the four projects, under each of the three possible future demand conditions, are as follows.

	<b>High demand</b>	<b>Medium demand</b>	<b>Low demand</b>
Investment A	\$20,000	\$40,000	\$60,000
Investment B	\$30,000	\$30,000	\$30,000
Investment C	\$50,000	\$40,000	\$35,000
Investment D	\$55,000	\$10,000	\$30,000

Using the maximax criterion, which investment should be selected?

A. Investment A

B. Investment B

C. Investment C

D. Investment D

Correct Answer: A

#### QUESTION 5

The Chief Executive of a large manufacturing company has made the following comment. "All of our competitors are using both just-in-time(JIT) and Total Quality Management (TQM) whereas we have never used either. Consequently we are

lagging behind our competitors because their levels of inventory and quality costs are significantly below ours. I want to see JIT fully implemented, both for purchasing and for production, in 4 weeks\\' time and TQM fully implemented 4 weeks



after that."

Which of the following provide appropriate advice to the Chief Executive? Select ALL that apply.

- A. Full implementation of JIT is unlikely to be successful unless a TQM environment has first been established.
- B. Implementing TQM from scratch within 8 weeks should be feasible for a large manufacturing company, but implementing JIT within 4 weeks is unlikely to be feasible.
- C. Total quality costs are likely to begin declining immediately once the process of implementing TQM has commenced.
- D. JIT offers the long run prospect of significantly reducing inventory.
- E. It would be possible to implement TQM without implementing JIT.
- F. It is not possible to implement JIT for production without first implementing JIT for purchasing.

Correct Answer: ADE

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