



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

P2 - Advanced Management Accounting

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**QUESTION 1**

An organization has carried out a risk assessment for a project. Which of the following possible outcomes are examples of upside risk? Select ALL that apply.

- A. The project might be developed more quickly than expected.
- B. The project's costs might be higher than expected.
- C. The project's Economic Value Added might be higher than expected.
- D. The project's environmental damage might be less than expected.
- E. The project's payback period might be greater than expected.

Correct Answer: ACD

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**QUESTION 2**

An organization uses a balanced scorecard approach to performance measurement, both at the corporate level and to assess the performance of each of its responsibility centre managers. Which THREE of the following statements are valid in respect of the effect of this approach on the behavior of the responsibility centre managers?

- A. It encourages them to focus mainly on short-term financial measures.
- B. It provides them with a range of performance measures to discourage a tendency to focus on only one measure.
- C. It provides them with clear guidance as to how customer satisfaction problems should be solved.
- D. It encourages them to make decisions that are in line with corporate objectives.
- E. It encourages them to identify, and deal with, problems at an earlier stage.

Correct Answer: BDE

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**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

A large manufacturing company sells a range of products. Details of one of these products are as follows.



<b>Selling price per unit</b>	<b>\$55</b>
<b>Variable labour cost per unit</b>	<b>\$12</b>
<b>Variable material cost per unit</b>	<b>\$20</b>
<b>Absorbed general overhead cost per unit</b>	<b>\$10</b>
<b>Delivery cost per batch</b>	<b>\$140</b>
<b>Production batch size in units</b>	<b>100</b>
<b>Set up cost per batch</b>	<b>\$300</b>
<b>Total production and sales units per month</b>	<b>1,200</b>

Each completed batch is delivered immediately in full to the one customer that purchases this product. The delivery vehicle is currently only 50% full when it makes these deliveries. The customer will accept deliveries of any size.

Managers are considering changing the production batch size to 150 units. Increased material storage would be needed; this can be rented nearby at a cost of \$1,500 per month.

The additional storage facility would enable an increase in the reorder quantity for the materials. As a result a 5% discount would be received on all materials purchased. Using direct product profitability (DPP), what will be the monthly profit



attributable to the product if the production batch size is changed to 150 units?

Give your answer to the nearest whole \$.

A. \$23780

Correct Answer: A

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#### QUESTION 5

SkillWeave Industries are focused on managing the risk of selling their cars to the region due to economic turmoil, and have now begun using funds from sales in the region to fund supplier purchases from that region to reduce the risk from

the volatile currency. However, SkillWeave want to go a step further and make the risk even less sizeable.

Which of the following is a method by which SkillWeave can operate in the market and transfer the risk of exchange rate exposure to another party?

A. Invoice international sales in domestic currency

B. Temporarily stop operating in that target market

C. Arrange a forward foreign exchange rate contract agreeing to buy a given amount of the foreign currency in 3 months time for a fixed exchange rate based on current rates

D. Put a sale on all vehicles stationed in the region to clear stock quickly

Correct Answer: A

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