



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

P2 - Advanced Management Accounting

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**QUESTION 1**

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

Which investment would be selected using the maximin criterion?

- A. Investment A
- B. Investment B
- C. Investment C
- D. Investment D

Correct Answer: C

**QUESTION 2**

A public sector service organization is considering whether to use a balanced scorecard or a value for money approach based on the three Es to assess its performance. Which of the following are correct comparisons of the balanced scorecard and value for money based on the three Es as performance measurement frameworks? Select ALL that apply.

- A. Efficiency is measured as one of the three Es but the balanced scorecard does not measure efficiency.
- B. If the organization wishes to consider both financial and non-financial performance then the balanced scorecard should be used rather than the three Es.
- C. The public's satisfaction with the organization's services can be measured by both the three Es and the balanced scorecard.
- D. The balanced scorecard is concerned with meeting the organization's objectives whereas the three Es approach is concerned only with reducing costs.



E. The three Es approach was designed for public sector service organizations, but the balanced scorecard approach can also be used in the public sector.

Correct Answer: CE

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### QUESTION 3

Which TWO of the following expressions are correct?

- A.  $1 + \text{money rate} = (1 + \text{real rate}) \times (1 + \text{inflation rate})$
- B.  $1 + \text{real rate} = (1 + \text{money rate}) / (1 + \text{inflation rate})$
- C.  $1 + \text{real rate} = (1 + \text{inflation rate}) / (1 + \text{money rate})$
- D.  $1 + \text{money rate} = (1 + \text{inflation rate}) / (1 + \text{real rate})$
- E.  $1 + \text{inflation rate} = (1 + \text{money rate}) \times (1 + \text{real rate})$

Correct Answer: AB

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### QUESTION 4

A senior manager is concerned about the dysfunctional consequences of a company's current approach to budget preparation. The senior manager has discovered that budget holders are carrying budgetary slack forward from one period to

the next without this being identified or challenged.

Which of the following approaches to budget preparation is the company using?

- A. Incremental budgeting
- B. Zero-based budgeting
- C. Activity-based budgeting
- D. Beyond budgeting

Correct Answer: A

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### QUESTION 5

A company expects to sell 3,600 units of Product A at a selling price of \$750 per unit during the forthcoming year. The currently expected variable cost per unit is \$860 per unit. The company requires a return of 15% during the forthcoming

year on its investment of \$2.4 million in Product A. Absorbed general overheads are expected to amount to \$40 per unit.

What is the target cost for each unit of product A in the forthcoming year?



- A. \$650
- B. \$250
- C. \$900
- D. \$850

Correct Answer: A

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