



CIMAPRO19-P02-1^{Q&As}

P2 - Advanced Management Accounting

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QUESTION 1

The following summarised financial statements have been prepared by JNM's North subsidiary for the year just ended:

	\$ million
Operating assets	160
Loans	100

Calculate the North subsidiary's Residual Income, assuming that JNM's cost of capital is 10%. Give your answer to the nearest \$ million.

A. \$24 million, 24000000

Correct Answer: A

QUESTION 2

Division A and Division B are divisions of the same group. Division A transfers all of its output to Division B.

Which THREE of these alternative transfer pricing bases will prevent any cost inefficiencies in Division A being passed on to Division B?

- A. Standard variable cost
- B. Actual full cost
- C. Actual prime cost
- D. Market price
- E. Actual variable cost
- F. Standard variable cost plus a profit margin

Correct Answer: ADF

QUESTION 3

Which of the following statements is TRUE about the activity based costing system when compared to absorption costing method?

- A. ABC is easier to administer than an absorption costing system



- B. ABC will be less detailed than an absorption costing system
- C. ABC will provide more accurate overhead allocation than absorption costing
- D. ABC will cost less to administer than an absorption costing system

Correct Answer: C

QUESTION 4

For a complex and repetitive task, which of the following correctly describes a steep learning curve?

- A. Repeated training may be required but this will not necessarily result in a reduction in the time taken to complete the task.
- B. After the initial learning period there will be a rapid reduction in the time taken to complete the task.
- C. There will be a long period before there is a reduction in the time taken to complete the task.
- D. After the initial learning period there will be a slow reduction in the time taken to complete the task.

Correct Answer: B

QUESTION 5

A positive net present value (NPV) has been calculated for a project to launch a new product. An additional calculation is required to identify the sensitivity of the NPV to changes in the forecast total sales volume. The present value of which of the following would be used in the calculation?

- A. Contribution
- B. Operating profit
- C. Fixed overheads
- D. Net profit

Correct Answer: A

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