



# CIMAPRO17-BA1-X1-ENG<sup>Q&As</sup>

BA1 - Fundamentals of Business Economics Question Tutorial

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**QUESTION 1**

Which of the following describes the slope of a normal supply curve?

- A. Upwards from right to left.
- B. Upwards from left to right.
- C. Downwards from left to right.
- D. Downwards from right to left.

Correct Answer: B

Reference: <https://www.britannica.com/topic/supply-curve>

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**QUESTION 2**

Organizations are able to achieve more than individuals can achieve because they allow people to do which THREE of the following? (Choose three.)

- A. To devolve decision-making
- B. To pool resources
- C. To share skills and knowledge
- D. To specialize
- E. To earn profits
- F. To create hierarchies

Correct Answer: BCD

Reference: [https://kaplanpublishing.co.uk/docs/librariesprovider3/look-inside/cima/certificate/fundamentals-of-business-economics-ba1/look-inside-study-text-2020-ba1-fundamentals-of-business-economics.pdf?sfvrsn=8bbc7a01\\_2](https://kaplanpublishing.co.uk/docs/librariesprovider3/look-inside/cima/certificate/fundamentals-of-business-economics-ba1/look-inside-study-text-2020-ba1-fundamentals-of-business-economics.pdf?sfvrsn=8bbc7a01_2) (21)

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**QUESTION 3**

In recent years, consumer groups have become more vocal in calling for the boycott of producers whose suppliers do not comply with international regulations on workplace safety and child labour. A fashion company that outsources its production to low labour cost countries should include this phenomenon in which part of their PESTEL framework?

- A. T
- B. E
- C. S
- D. P



Correct Answer: C

Reference: <https://thecimastudent.com/2018/02/15/using-pestel-analysis/>

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#### QUESTION 4

A manufacturing company is considering a new investment project.

Which TWO of the following would reduce the net present value of the investment to the business? (Choose two.)

- A. A rise in the scrap value of the project at the end of its life.
- B. A reduction in the expected level of future sales.
- C. A rise in interest rates.
- D. A fall in the initial capital cost of the project.
- E. An expected fall in the future price of components used by the business.

Correct Answer: CE

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#### QUESTION 5

Company A is looking to protect itself from transaction exchange rate risk.

Company A does not require 100% of the value of transaction to be protected, and it would like the method it uses to have the following characteristics:

An agreed exchange rate for a specified period where both parties have a legal obligation.

A separation of the contract guaranteeing the price of the currency from the underlying transaction.

Which of the following would best provide the type of protection from exchange rate risk company A wants?

- A. Future
- B. Option
- C. Forward contract
- D. Floating exchange rate

Correct Answer: C

Reference: <https://www.investopedia.com/terms/f/forward-exchange-contract.asp>

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#### QUESTION 6

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Based on the past twenty months, an event decorating company develops a trend equation for forecasting sales revenue ( $y$ ) where  $y = 4.38 + 1.32x$ .

If month 21 has a seasonal factor of times 1.07, then what is the forecast for the month, using a multiplicative model? Give your answer to two decimal places.

A. 6.77

Correct Answer: A

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### QUESTION 7

For a typical business, which of the following is NOT a potential benefit of globalisation?

- A. Lower cost sites for the location of production.
- B. Simultaneously improved terms of trade for all countries.
- C. Wider sources of supply for inputs.
- D. Larger markets for outputs.

Correct Answer: B

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### QUESTION 8

Which of the following would tend to make the market supply of a good price inelastic?

- A. There are few barriers to entry into the industry.
- B. Many firms in the industry have unused production capacity.
- C. Most firms in the industry have high stock levels of finished goods.
- D. Newly employed workers in the industry require high levels of initial training.

Correct Answer: C

Reference: [http://www.cimaglobal.com/Documents/Student%20docs/2011\\_CBA/C04\\_crudeoil\\_march2005.pdf](http://www.cimaglobal.com/Documents/Student%20docs/2011_CBA/C04_crudeoil_march2005.pdf)

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### QUESTION 9

A company currently sells 10,000 bottles of "bright pink" nail varnish every year at \$5 per bottle. If the price is reduced to \$4.50 per bottle it is expected that the company will sell an extra 2,000 bottles.

What is the price elasticity of demand of the nail varnish?

A. -2.0



B. +2.0

C. -0.5

D. +0.5

Correct Answer: B

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### QUESTION 10

Which of the following is correct in relation to businesses?

In order to maximize shareholder wealth, the primary objective of a business can be reflected in:

(1)

higher investment

(2)

higher sales revenue

(3)

higher share prices

(4)

higher dividend payments.

A.

(1) and (3)

B.

(3) and (4)

C.

(1) and (2)

D.

(2) and (4)

Correct Answer: B

Reference: <http://www.cimaglobal.com/Documents/Student%20docs/2010%20syllabus%20docs/F3/F3%20May%202014%20-%20Answers%20for%20web.pdf>



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