

# Accountant CIMA-P2

## Advanced Management Accounting

Questions And Answers PDF Format:

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*Version* = Product



# Version: 11.0

## Question: 1

An electronics company sells a range of tablet computers. Tablet computers come complete with an operating system that is regarded as the market leader. The company aims to launch a new version of its hardware every eighteen months and a major update to its software every three years. The latest version of the tablet computer is always sold at a higher price, but the older version that has been replaced is then sold for a time at a discounted price.

Which pricing model does this company appear to be using?

- A. Penetration and loss leader pricing
- B. Penetration and product bundling
- C. Skimming and loss leader pricing
- D. Skimming and product bundling

**Answer: D**

## Question: 2

K Supermarket spends \$80,000 per year on checking and processing receipts of inventory. Annual warehouse costs are a further \$70,000 per year. These costs are currently treated as fixed overheads in the company's costing system.

As an experiment, the company is preparing a direct profitability analysis of a small range of products, including fresh grapes.

K Supermarket receives a total of 3,600 deliveries every year. 20% of these deliveries are of perishable goods such as grapes. It takes twice as long to process a delivery of perishable goods compared to a normal delivery because perishable goods have to be checked more carefully.

Half of the warehouse costs are for the chilled store that is used to store perishable goods. At any time, the chilled store has 800 kilos of perishable goods in stock.

K Supermarket receives 150 deliveries of grapes every year. Each delivery is for 100 kilos of grapes. The grapes spend an average of two days in the chilled store before they are sold.

Calculate the total cost per kilo of checking, processing and storing grapes that should be taken into account in determining the profitability of grapes.

Give your answer to the nearest whole cent.

**Answer: 61 cents**

### Question: 3

A company is classifying its quality costs to prepare a quality cost report. Which of the following are conformance costs?

Select ALL that apply.

- A. Internal Failure Costs
- B. External Failure Costs
- C. Prevention Costs
- D. Appraisal Costs

**Answer: C, D**

### Question: 4

Which of the following would change if the cost of capital of a proposed project was increased?

- A. Internal rate of return
- B. Payback period
- C. Accounting rate of return
- D. Net present value

**Answer: D**

### Question: 5

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

**Answer: A, D, F**

### Question: 6

In accordance with a just-in-time (JIT) philosophy, which of the following is regarded as a value added activity?

- A. Inspecting raw material deliveries
- B. Moving work in progress around production facilities
- C. Holding inventory
- D. Dispatching products to customers

**Answer: D**

### Question: 7

When making an investment decision, which THREE of the following are reasons why receiving \$1 today is preferable to receiving \$1 in the future?

- A. Uncertainty
- B. Inflation
- C. Taxation
- D. Re-investment opportunities
- E. Depreciation

**Answer: A, B, D**

### Question: 8

The money cost of capital is 12%. The expected rate of inflation is 4%. What is the real cost of capital?

Give your answer to 2 decimal places.

**Answer: 7.69 %, 7.70 %**

### Question: 9

Company X is considering the launch of a new product. In order to compete in the market the selling price must be \$100 per unit. Company X aims to achieve a sales margin of 25 per cent.

Direct materials cost is \$75 for each unit. It takes 15 minutes for workers to assemble each unit. Workers are paid \$16 per hour. 5 per cent of paid time is idle. Overheads are absorbed at \$6.50 per unit.

What is the value of any cost gap between the forecast total cost and the target cost?

- A. \$10.71
- B. \$5.50
- C. \$10.50
- D. \$9.10

**Answer: A**

### Question: 10

A company is considering two mutually exclusive projects, an analysis of which is given below:

	<b>Project A</b>	<b>Project B</b>
Accounting Rate of Return (ARR)	16%	15%
Payback Period (PP)	4.3 years	3.8 years
Net Present Value (NPV)	\$390,000	\$430,000
Internal Rate of Return (IRR)	17%	14%

The company's cost of capital is 12%.

Assuming an objective of maximising shareholders' wealth, which project would be recommended?

- A. Project B because it has the higher net present value.
- B. Project B because it has the shorter payback period.
- C. Project A because it has the higher accounting rate of return.
- D. Project A because it has the higher internal rate of return.

**Answer: A**

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