



# 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 organizational arrangements is an example of a multinational corporation (MNC)?

- A. An insurance company based in Country E opens a sales office in Country F in order to service the local market.
- B. A music production company based in Country C signs a contract with an artist's management company based in Country D.
- C. A retailer based in Country G uses an online retail platform in order to sell goods to customers in Country H.
- D. A chain of restaurants based in Country signs a franchise agreement with a company that intends to open restaurants in Country A.

Correct Answer: D

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### QUESTION 2

A business has a short-term problem with its payments exceeding its receipts. Which TWO of the following would be appropriate for meeting this financial shortfall? (Choose two.)

- A. A bank overdraft
- B. A bill of exchange
- C. A mortgage
- D. Issuing shares
- E. A leasing arrangement

Correct Answer: AB

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### QUESTION 3

Conflict between the objectives of shareholders and those of management in a company may arise because:

- A. shareholders are always interested in the short term but those in management are interested in the long term.
- B. managers are concerned with the level of profits but shareholders are only interested in the long term share price.
- C. raising the pay of management may be incompatible with increasing shareholder value.
- D. managers are more concerned with day to day management than shareholders.

Correct Answer: B

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### QUESTION 4



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A magazine currently has a circulation of 500,000 copies per year at a price of \$5 per copy. Following a market survey it has been suggested that the price of each copy should be reduced to \$4.50. It is expected this will lead to an increase in

circulation of 25,000 copies per year.

What is the price elasticity of demand of the magazine?

A. +0.5

Correct Answer: A

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#### QUESTION 5

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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