



# CIMAPRO17-BA2-X1-ENG<sup>Q&As</sup>

E3 - Strategic Management Question Tutorial

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### QUESTION 1

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The following data are available for a delivery company. The table shows the number of tonnes delivered (x) and the associated distribution cost (y) in recent periods.

Period	Tonnes delivered (x) 000s	Distribution cost (y) \$000
1	14.5	465
2	17.0	529
3	13.5	444
4	12.5	417
5	17.5	542
	75.0	2,397

Further analysis of this data has determined the following:  $xy = 36,427$   $x^2 = 1,144$

Using least squares regression analysis, calculate the variable cost per tonne delivered. Give your answer to the nearest cent.

A. -128.10

Correct Answer: A

### QUESTION 2

A company has spent \$5,000 on a report into the viability of using a subcontractor. The report highlighted the following:

A machine purchased six years ago for \$30,000 would become surplus to requirements. It has a written-down value of \$10,000 but would be resold for \$12,000.

A machine operator would be made redundant and would receive a redundancy payment of \$40,000.

The administration of the subcontractor arrangement would cost the company \$25,000 each year.

Which THREE of the following are relevant for the decision? (Choose three.)

- A. A relevant cost of \$5,000 for the viability report.
- B. A relevant cost of \$30,000 for the machine.
- C. A relevant cost of \$40,000 for the redundancy payment.
- D. A relevant cost of \$10,000 for the machine.
- E. A relevant cost of \$25,000 each year for administration.



F. A relevant revenue of \$12,000 for the machine.

Correct Answer: ADE

### QUESTION 3

An organisation produces and sells a single product. The organisation's management accountant has reported the following information for the most recent period.

Sales volume	200,000 units
Selling price per unit	\$24
Variable cost per unit	\$18
Contribution to sales ratio	25%
Fixed cost	\$400,000

Which TWO of the following statements are valid? (Choose two.)

- A. If the contribution to sales ratio changed to 30%, the breakeven point would become higher.
- B. If the fixed cost changed to \$445,000, the breakeven point would not change.
- C. If the sales volume changed to 220,000 units, the breakeven point would not change.
- D. If the selling price changed to \$22 per unit, the breakeven point would become lower.
- E. If the variable cost changed to \$16 per unit, the breakeven point would become lower.

Correct Answer: AC

### QUESTION 4

A company is considering investing \$57,000 in a machine that will last for five years, after which time it will have no value. The machine will generate additional revenue of \$190,000 each year. Annual running costs, including depreciation of \$11,400 will amount to \$168,400.

Assuming that all cash flows occur evenly, the payback period of the investment in the machine is closest to:

- A. 2 years 8 months
- B. 1 year 9 months
- C. 1 year 7 months
- D. 2 years 6 months

Correct Answer: C



## QUESTION 5

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A company wishes to compare the variability of its monthly sales revenue in country A with that of country B. The two countries use different currencies.

The monthly sales revenue for the last 48 months in country A (which is measured in \$) has been analysed as follows.

Mean	10,728
Median	9,327
Variance	2,359,296

What is the coefficient of variation of this data?

Give your answer as a percentage to one decimal place.

A. 0.143

Correct Answer: A

Reference: <https://www.statisticshowto.datasciencecentral.com/probability-and-statistics/how-to-find-a-coefficient-of-variation/>

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