



CIMAPRO19-P02-1^{Q&As}

P2 - Advanced Management Accounting

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QUESTION 1

SkillWeave Industries are focused on managing the risk of selling their cars to the region due to economic turmoil, and have now begun using funds from sales in the region to fund supplier purchases from that region to reduce the risk from

the volatile currency. However, SkillWeave want to go a step further and make the risk even less sizeable.

Which of the following is a method by which SkillWeave can operate in the market and transfer the risk of exchange rate exposure to another party?

- A. Invoice international sales in domestic currency
- B. Temporarily stop operating in that target market
- C. Arrange a forward foreign exchange rate contract agreeing to buy a given amount of the foreign currency in 3 months time for a fixed exchange rate based on current rates
- D. Put a sale on all vehicles stationed in the region to clear stock quickly

Correct Answer: A

QUESTION 2

An 80% learning curve will apply to the production of a new product. The first unit will require 120 labor hours. The labor rate is \$11 per hour. To the nearest \$1, the expected total labor cost for the first 4 units is:

- A. \$3,379
- B. \$845
- C. \$5,280
- D. \$4,224

Correct Answer: A

QUESTION 3

A company is investing in a huge diversification project. The plan is to develop and sell a whole new product line that they have never sold before. They've already started a massive marketing campaign for this new product line and they are

getting good feedback in their market research. They've had to use debt funding in order to finance the project, but they hope that the returns will be worth the investment and restructuring. If they are successful they will be a step ahead of all

their competitors and offer something none of them can.



What is the risk appetite of this company?

- A. Risk seeking
- B. Risk averse
- C. Risk neutral
- D. Impossible to say

Correct Answer: A

QUESTION 4

Which TWO of the following are reasons why cost-based approaches to transfer pricing are often used in practice?

- A. The buying division will want to maximize its profits.
- B. The transferring division will want to maximize its profits.
- C. Because the external market is imperfect.
- D. Because there is often no external market for the product that is being transferred.
- E. The approach allows the organization to cover all the costs.

Correct Answer: CD

QUESTION 5

Which of the following statements is correct?

- A. Risk can be quantified and probabilities can be assigned reliably to the possible outcomes.
- B. Uncertainty cannot be quantified and probabilities can be assigned reliably to the possible outcomes.
- C. Risk cannot be quantified and probabilities cannot be assigned reliably to the possible outcomes.
- D. Uncertainty can be quantified and probabilities can be assigned reliably to the possible outcomes.

Correct Answer: A

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