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Question 1

Question Type: MultipleChoice

In an organization's transfer pricing system the selling division and the purchasing division each record a different price for the same transaction.

This is known as a:

Options:

- A- Dual pricing system.
- B- Two part tariff system.
- C- Full cost pricing system.
- D- Marginal cost plus pricing system.

Answer:

A

Question 2

Question Type: MultipleChoice

A division of a company transfers all its output to other divisions in the same company.

For this division, which of the following measures is NOT affected by the transfer price that the division uses?

Options:

- A- Operating profit
- B- Return on investment
- C- Cost of components purchased
- D- Sales revenue

Answer:

C

Question 3

Question Type: MultipleChoice

Which basis of transfer pricing retains the full autonomy of divisional managers?

Options:

- A- Full cost-plus pricing
- B- Variable cost-plus pricing
- C- Negotiated pricing
- D- Market based pricing

Answer:

C

Question 4

Question Type: MultipleChoice

Which of the following factors would prevent a learning curve being observed for a task?

Options:

- A- The task has a significant automated element.
- B- The task is repetitive.
- C- The task has a significant manual element.
- D- There is a low rate of labor turnover of the staff carrying out the task.

Answer:

A

Question 5

Question Type: MultipleChoice

A supermarket group has experienced operational problems during recent years, including a shortage of warehousing space due to increasing turnover and poor inventory management. The product portfolio has expanded considerably. Although this has led to increased sales volume, marketing and logistics costs have increased disproportionately. Non product-specific costs have also increased significantly.

Management is now considering using Direct Product Profitability (DPP).

Which of the following statements are valid in respect of the possible implementation of DPP within the supermarket group?

Select ALL that apply.

Options:

- A- DPP should result in improved management of storage space.
- B- DPP should result in improved supplier relationships.
- C- DPP should result in improved pricing decisions.
- D- DPP requires non product-specific costs to be apportioned rather than allocated.
- E- DPP provides summary information on the profitability of each customer group.

Answer:

A, B, C

Question 6

Question Type: MultipleChoice

A manufacturing company is in the process of introducing just in time (JIT) and total quality management (TQM) into every aspect of its value chain.

Which TWO of the following are appropriate changes to make to the support activities in the organization's value chain?

Options:

- A- Inbound logistics would need to ensure that materials of appropriate quality are delivered on a just in time basis.
- B- Operations would need to be carried out on a right first time basis as any failure could delay production.
- C- After sales service would need to ensure that appraisal costs are kept to a minimum.
- D- Procurement would need to arrange to purchase goods so that they are delivered as required.
- E- Firm infrastructure would need to arrange appropriate training courses for staff.
- F- Technology development would need to ensure that processes are continually improving.

Answer:

D, F

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