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Question 1

Question Type: MultipleChoice

A company has just completed the production of the first 16 batches of a product. A learning curve has been observed throughout. The following table gives further details.

| Cumulative batches | Cumulative labour hours |
|---------------------------|--------------------------------|
| 1 | 1,400 |
| 16 | 11,200 |

To the nearest whole percentage, what rate of learning is implied?

Options:

- A- 87%
- B- 8%
- C- 84%
- D- 93%

Answer:

C

Question 2

Question Type: MultipleChoice

A company expects to sell 3,600 units of Product A at a selling price of \$750 per unit during the forthcoming year. The currently expected variable cost per unit is \$860 per unit. The company requires a return of 15% during the forthcoming year on its investment of \$2.4 million in Product

Options:

A- Absorbed general overheads are expected to amount to \$40 per unit.

What is the target cost for each unit of product A in the forthcoming year?

A- \$650

B- \$250

C- \$900

D- \$850

Answer:

A, A

Question 3

Question Type: MultipleChoice

A company is considering the replacement of its outdated information system.

Which of the following are appropriate approaches for the company to take to assess the potential qualitative benefits of a replacement information system?

- (1) Ignore the qualitative benefits that may arise because there is too much subjectivity involved in their assessment.
- (2) Attempt to attribute monetary values to each of the qualitative benefits identified.
- (3) Acknowledge the existence of qualitative benefits and attempt to assess them in a reasonable manner that is acceptable to all parties.
- (4) Attempt to express qualitative benefits in general terms linked to a hierarchy of organizational objectives.

Options:

A- (1), (2) and (3) only

B- (1), (2) and (4) only

C- (1), (3) and (4) only

D- (2), (3) and (4) only

Answer:

A

Question 4

Question Type: MultipleChoice

Which of the following statements about learning curves is correct?

Options:

A- The learning index for an 80% learning curve is calculated as $\log 2$ divided by $\log 0.8$.

B- The learning index for an 80% learning curve is calculated as $\log 0.8$ divided by $\log 2$.

C- A 90% learning curve indicates a faster rate of learning than an 80% learning curve.

D- The learning index will always have a positive value.

Answer:

B

Question 5

Question Type: MultipleChoice

A risk averse decision maker will:

Options:

- A-** accept a risk if it is accompanied by a satisfactory potential return.
- B-** avoid all risks.
- C-** accept a risk if the expected value of the potential outcomes is positive.
- D-** always select the course of action that has the lowest risk.

Answer:

A

Question 6

Question Type: MultipleChoice

Which of the following correctly defines the expected value of a project?

Options:

- A- The weighted average of the possible outcomes of the project.
- B- The actual amount of incremental wealth that the project will generate.
- C- The most likely amount of incremental wealth that the project will generate.
- D- The present value of the positive cash flows that the project will generate.

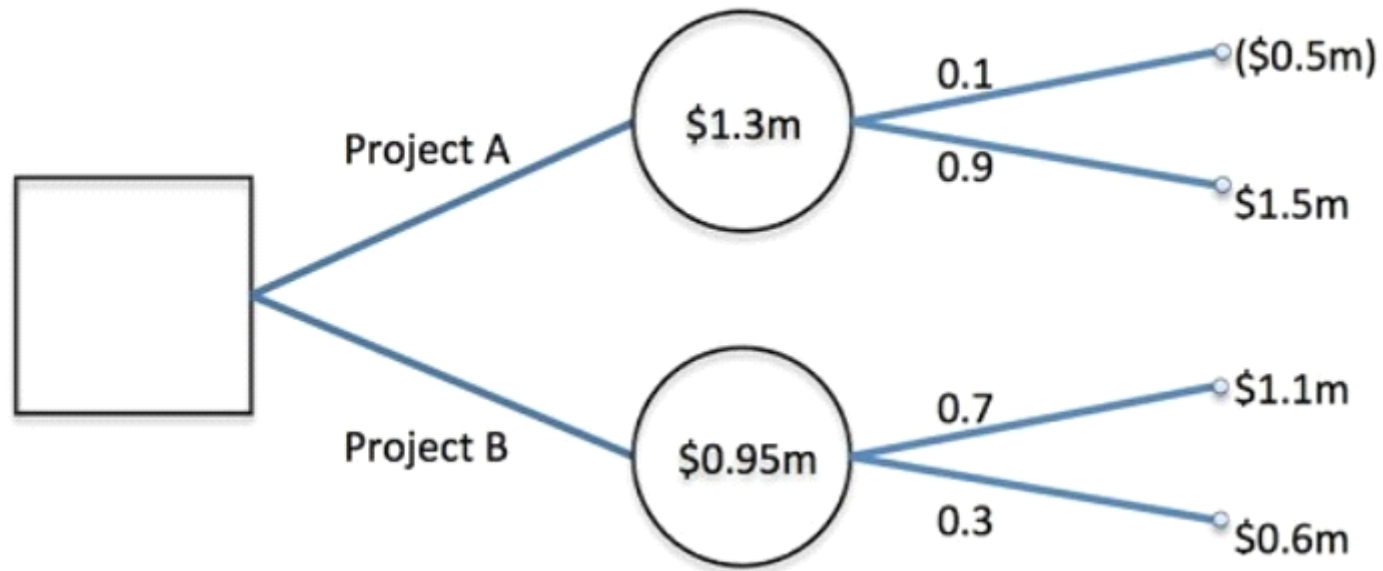
Answer:

A

Question 7

Question Type: MultipleChoice

A company is deciding whether to invest in project A or project B. A decision tree has been prepared to illustrate the investment decision and its associated possible net present values (NPVs).



Which of the following statements is correct?

Options:

A- A risk neutral decision maker would select project B because it shows less variation of outcomes.

- B-** Project A is more likely to reduce shareholder wealth than to increase it.
- C-** Project A will generate a positive net present value of \$1.3m.
- D-** decision maker who is risk seeking would select project A.

Answer:

D

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