Free Questions for CIMAPRO19-P03-1 by vceexamstest

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Question 1

Question Type: **MultipleChoice**

The long-term prospects for inflation in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Usingpurchasingpowerparitytheory, what GBP/USD spot rate would you expect to see inthree months' time?

Options:

A- GBP/USD1.69

B- GBP/USD1.73

C- GBP/USD1.77

D- GBP/USD1.65

Answer:

B

Question 2

Question Type: MultipleChoice

M is a multinational IT company with headquarters in Asia and with operations in all continents.

It is now trying to expand its operations in Europe.This is seen as a major challenge as the European market is very well developed with established players in fierce competition against each other.

As well as developing and producing its own products, it sources products across Asia, America and Europe as part of infrastructure deals which have to include as much of its own equipmentas possible. In doing this, transfer prices can be set in YEN, USD, EURO, GBP. Transfer prices are revised every month in line with production times as most goods are made on short order timeswith sales cycles running at 3-4 months.

The longer sales cycle against committed transfer pricing presents problems as customers expect quotes to be valid for 90 days whereas M's suppliers reserve the right to revise pricing at the end of every month with quotes only valid for 8 days in the following month.

How should M deal with this problem?

Options:

A- Use a centralised treasury function to set up unilateral netting so that all trades can be balanced off against each other before any money is transferred.

B- Offer a small discount for anycustomers who pay in M's home currency.

C- Do nothing, everyone is in the same situation.

D- Incentivise sales personsto be more accurate whenforecasting prices.

Answer:

A

Question 3

Question Type: **MultipleChoice**

TYU is a retailer selling televisions. The company is financed wholly by equity.

Why might TYU be exposed to interest rate risk?

Options:

A- Customers' disposable income may change.

B- TYU's competitors may have variable rate borrowings.

C- TYU's suppliers may have borrowings.

D- TYU's cost of capital will vary with interest rates.

E- TYU's competitors may have fixed rate borrowings.

Answer:

A, B, C

Question 4

Question Type: MultipleChoice

Company W produces mobile phone components and has recently tendered for a substantial contract. The results of the tendering process will not become available until three months from now. If the company is successful it will require 2,000 units of a commodity which is currently traded in an open commodity market for $740 per unit. However, there has been speculation that this commodity could increase substantially in price over the next three months and so the company is considering purchasing the commodity now and storing it for three months.

The funds to buy the commodity would be borrowed at an annual interest rate of 7% and the storage cost of the product would be $5.40 per unit per month. The storage costs would be paid at the end of the three month storage period.

Which of the following represents the gain or loss (to the nearest thousand dollars) that will accrue to Company W assuming that the price of the commodity rises to $800 in three months' time?

Options:

A- $62,000 gain

B- $95,000 gain

C- $88,000 gain

D- $16,000 loss

Answer:

A

Question 5

Question Type: MultipleChoice

GUJ A small but rapidly expanding company has recently opened several branches in locations far away from the Head Office. All of the branches are relatively small with no one branch accounting for more than 5% of turnover. Management has decided that the company is not yet large enough to install an Internal Audit function but is, nonetheless, concerned about maintaining adequate control and monitoring at the branches whilst allowing Branch Managers the opportunity to react to local circumstances as appropriate.

Which of the following measures would assist Head Office management in maintaining appropriate monitoring and control at the branches?

Options:

A- Restricting the autonomy of individual Branch Managers to purely routine matters and instructing them to refer everything else to Head Office.

B- Dealing with all Human Resource, recruitment, and similar issues directly from Head Office.

C- Arranging visits by senior management to each branch periodically.

D- Instituting the use of a formalised budgetary control system at head office for all branches.

E- Establishing an open communication policy for employees at branches to allow them to contact Head Office on any matter that concerns them.

Answer:

C, D, E

Question 6

Question Type: **MultipleChoice**

SDF is a quoted company that has a large internal audit department.

Which of the following would impair the independence of SDF's internal audit?

Options:

A- The head of internal audit reports directly to SDF's chief accountant.

B- Junior internal audit staff are recruited directly from university. They spend two years with the company before moving into other departments within SDF.

C- Internal audit staff receive a bonus whenever they discover a compliance error.

D- It is left to the individual members of the internal audit department to report any conflicts of interest associated with a proposed investigation to which they have been assigned.

E- Internal audit staff salaries are linked to a company-wide salary scheme.

Answer:

A, B, C