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**Vendor:**CIMA

**Exam Code:**CIMAPRO17-BA1-X1-ENG

**Exam Name:**BA1 - Fundamentals of Business  
Economics Question Tutorial

**Version:**Demo

### QUESTION 1

For a typical business, which of the following is NOT a potential benefit of globalisation?

- A. Lower cost sites for the location of production.
- B. Simultaneously improved terms of trade for all countries.
- C. Wider sources of supply for inputs.
- D. Larger markets for outputs.

Correct Answer: B

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### QUESTION 2

Organizations are able to achieve more than individuals can achieve because they allow people to do which THREE of the following? (Choose three.)

- A. To devolve decision-making
- B. To pool resources
- C. To share skills and knowledge
- D. To specialize
- E. To earn profits
- F. To create hierarchies

Correct Answer: BCD

Reference: [https://kaplanpublishing.co.uk/docs/librariesprovider3/look-inside/cima/certificate/fundamentals-of-business-economics-ba1/look-inside-study-text-2020-ba1-fundamentals-of-business-economics.pdf?sfvrsn=8bbc7a01\\_2](https://kaplanpublishing.co.uk/docs/librariesprovider3/look-inside/cima/certificate/fundamentals-of-business-economics-ba1/look-inside-study-text-2020-ba1-fundamentals-of-business-economics.pdf?sfvrsn=8bbc7a01_2) (21)

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### QUESTION 3

Which of the following would tend to make the market supply of a good price inelastic?

- A. There are few barriers to entry into the industry.
- B. Many firms in the industry have unused production capacity.
- C. Most firms in the industry have high stock levels of finished goods.
- D. Newly employed workers in the industry require high levels of initial training.

Correct Answer: C

Reference: [http://www.cimaglobal.com/Documents/Student%20docs/2011\\_CBA/C04\\_crudeoil\\_march2005.pdf](http://www.cimaglobal.com/Documents/Student%20docs/2011_CBA/C04_crudeoil_march2005.pdf)

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**QUESTION 4**

Market price refers to:

- A. the price that is determined by demand and supply.
- B. the price that includes tax.
- C. the value that is adjusted for inflation.
- D. the price that maximizes profits.

Correct Answer: A

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**QUESTION 5**

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A magazine currently has a circulation of 500,000 copies per year at a price of \$5 per copy. Following a market survey it has been suggested that the price of each copy should be reduced to \$4.50. It is expected this will lead to an increase in

circulation of 25,000 copies per year.

What is the price elasticity of demand of the magazine?

- A. +0.5

Correct Answer: A

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**QUESTION 6**

Which of the following organizational arrangements is an example of a multinational corporation (MNC)?

- A. An insurance company based in Country E opens a sales office in Country F in order to service the local market.
- B. A music production company based in Country C signs a contract with an artist's management company based in Country D.
- C. A retailer based in Country G uses an online retail platform in order to sell goods to customers in Country H.
- D. A chain of restaurants based in Country signs a franchise agreement with a company that intends to open restaurants in Country A.

Correct Answer: D

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**QUESTION 7**

A trade agreement that removes all import tariffs between member countries, sets up common external tariffs against non-members, but does not advance toward economic integration is called:

- A. an economic union.
- B. a customs union.
- C. a free trade area.
- D. a common market.

Correct Answer: B

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### QUESTION 8

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Company GHI wishes to develop a linear model for forecasting tractor sales based on the number of sales people it employs. In the model, tractor sales will be the dependent variable and the number of sales people the independent variable.

The company has collected sales data from each of its branches over the past year which has been reported below:

Branch	Number of Sales people	Number of Sales people <sup>2</sup>	Tractor sales (units)	Number of sales people tractors sold (x)
A	11	121	57	627
B	5	25	41	205
C	7	49	66	462
D	12	144	103	1,236
Total	35	339	267	2,530

Based on this data calculate the slope of the line (b) to two decimal places. b =

- A. 17.90

Correct Answer: A

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### QUESTION 9

Which TWO of the following business costs are directly affected by a rise in the interest rate? (Choose two.)

- A. The cost of procuring equity finance.
- B. The cost of complying with government regulations.
- C. The cost of borrowing from private lenders.
- D. The cost of accessing government subsidies.

E. The cost of procuring intermediate goods.

Correct Answer: AC

Reference: [http://www.cimaglobal.com/Documents/Student%20docs/2011\\_CBA/C04\\_monetarypolicy\\_june2005.pdf](http://www.cimaglobal.com/Documents/Student%20docs/2011_CBA/C04_monetarypolicy_june2005.pdf)

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#### QUESTION 10

A clothes retailer has estimated a linear trend equation including trend, seasonal and cyclical components to forecast its sales for the next four quarters. Which of the following factors would generate actual sales figures that are likely to differ markedly from the forecast?

- A. A drop in sales due to emergency roadwork blocking access to the store.
- B. A drop in sales due to the ongoing economic recession.
- C. An increase in sales due to the increasing popularity of their brand.
- D. An increase in sales before a major religious festival.

Correct Answer: D

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#### QUESTION 11

Dividend income from shares held overseas is recorded in which of the following balance of payments components?

- A. Capital account
- B. Financial account
- C. Profit account
- D. Current account

Correct Answer: D

Reference: <https://www.thebalance.com/current-account-definition-and-4-components-3306265>

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#### QUESTION 12

The following table shows the profits of a business and an index of the general price level for 4 years.

Year	Profits	Price Index
20X1	\$57 million	100
20X2	\$65 million	109
20X3	\$68 million	116
20X4	\$72 million	120

How does the level of real (inflation adjusted) profits in 20X4 compare to those of 20X1?

A. + \$18m

B. + \$12.5m

C. + \$3m

D. + \$0.6m

Correct Answer: C