

**100%** Money Back  
**Guarantee**

**Vendor:**CIMA

**Exam Code:**CIMAPRO17-BA2-X1-ENG

**Exam Name:**E3 - Strategic Management Question  
Tutorial

**Version:**Demo

### QUESTION 1

A confectionery manufacturer is considering adding a new product to the current range. Forecast data for the product are as follows.

|               | \$ per unit |
|---------------|-------------|
| Selling price | 500         |
| Variable cost | 330         |
| Contribution  | 170         |

Incremental fixed costs attributable to the new product are forecast to be \$24,000 each period.

The forecast sales volume of 180 units is insufficient to achieve the target profit of \$10,000 each period.

Which of the following statements is correct?

- A. The margin of safety is negative because the target profit will not be achieved from the forecast sales volume.
- B. If the fixed cost is changed to \$20,000 the sales volume required to break even will decrease.
- C. If the forecast sales volume is changed to 190 units the sales volume required to achieve the target profit will decrease.
- D. If the selling price is changed to \$510 the sales volume required to achieve the target profit will increase.

Correct Answer: C

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### QUESTION 2

Data for the latest period for a company which makes and sells a single product are as follows:

|                   | Budget             |          | Actual               |          |
|-------------------|--------------------|----------|----------------------|----------|
| Production units  | 1,300              |          | 1,100                |          |
|                   | \$                 |          | \$                   |          |
| Sales revenue     | 104,000            |          | 90,200               |          |
| Direct material   | 3,900 kg @ \$4.30  | (16,770) | 3,410 kg @ \$3.90    | (13,299) |
| Direct labour     | 2,600 hours @ \$12 | (31,200) | 2,310 hours @ \$14   | (32,340) |
| Variable overhead | 2,600 hours @ \$6  | (15,600) | 2,310 hours @ \$5.80 | (13,398) |
| Contribution      | 40,430             |          | 31,163               |          |

There were no budgeted or actual changes in inventories during the period. The sales volume contribution variance for the period was:

- A. \$6,220 adverse.
- B. \$9,267 adverse.
- C. \$16,000 adverse.
- D. \$5,666 adverse.

Correct Answer: D

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### QUESTION 3

In order for the information in a management accounting report to be authoritative its contents must be:

- A. trusted and from reliable sources.
- B. complete and reported in a timely manner.
- C. complete and relevant.
- D. both financial and non-financial.

Correct Answer: C

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### QUESTION 4

Which of the following is a valid definition of a cash budget?

- A. A detailed budget of estimated cash inflows and outflows incorporating both revenue and capital items.
- B. A detailed budget of estimated cash inflows only, incorporating receipts from cash sales as well as from credit customers.
- C. A detailed budget of estimated cash inflows and outflows incorporating revenue items only.
- D. A detailed budget of estimated cash outflows only, incorporating both depreciation and capital expenditure.

Correct Answer: C

Reference: <https://www.acowtancy.com/textbook/acca-ma/d2-budget-preparation/cash-budgets/notes>

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### QUESTION 5

A company's management accountant wishes to calculate the present value of the cost of renting a delivery vehicle. There will be five annual rental payments of \$5,000, the first of which is due immediately. The company's discount rate is 12%.

Which TWO of the following are valid ways to calculate the present value of the rental payments? (Choose two.)

- A.  $\$5,000 + (\$5,000 \times 3.605)$
- B.  $\$5,000 + \$5,000/1.12 + \$5,000/(1.12)^2 + \$5,000/(1.12)^3 + \$5,000/(1.12)^4$
- C.  $\$5,000/1.12 + \$5,000/(1.12)^2 + \$5,000/(1.12)^3 + \$5,000/(1.12)^4 + \$5,000/(1.12)^5$
- D.  $\$5,000 \times 3.605$

E.  $\$5,000 + (\$5,000 \times 3.037)$

Correct Answer: AD

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### QUESTION 6

The following is an extract from a budgetary control report for the latest period:

|                                 | Original<br>budget<br>\$ | Flexed<br>budget<br>\$ | Actual<br>\$ |
|---------------------------------|--------------------------|------------------------|--------------|
| Direct material                 | 25,600                   | 30,720                 | 35,800       |
| Direct labour                   | 51,000                   | 61,200                 | 59,380       |
| Variable production<br>overhead | 5,850                    | 7,020                  | 7,100        |
| Fixed production overhead       | 95,000                   | 95,000                 | 97,770       |
| Total production cost           | 177,450                  | 193,940                | 200,050      |

The budget variance for prime cost is:

- A. \$3,260 adverse
- B. \$18,580 adverse
- C. \$3,340 adverse
- D. \$3,260 favourable

Correct Answer: B

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### QUESTION 7

Which THREE of the following are included in the Global Management Accounting Principles? (Choose three.)

- A. Accountability
- B. Influence
- C. Value
- D. Professional behaviour
- E. Relevance
- F. Integrity

Correct Answer: BCE

Reference: <https://www.cgma.org/resources/reports/globalmanagementaccountingprinciples/about-the-principles.html#?tab-1=3>

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**QUESTION 8**

A company is considering investing \$57,000 in a machine that will last for five years, after which time it will have no value. The machine will generate additional revenue of \$190,000 each year. Annual running costs, including depreciation of \$11,400 will amount to \$168,400.

Assuming that all cash flows occur evenly, the payback period of the investment in the machine is closest to:

- A. 2 years 8 months
- B. 1 year 9 months
- C. 1 year 7 months
- D. 2 years 6 months

Correct Answer: C

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**QUESTION 9**

Data for the latest period for a company which makes and sells a single product are as follows:

|                   | Budget             |          | Actual               |          |
|-------------------|--------------------|----------|----------------------|----------|
| Production units  |                    | 1,300    |                      | 1,100    |
|                   |                    | \$       |                      | \$       |
| Sales revenue     |                    | 104,000  |                      | 90,200   |
| Direct material   | 3,900 kg @ \$4.30  | (16,770) | 3,410 kg @ \$3.90    | (13,299) |
| Direct labour     | 2,600 hours @ \$12 | (31,200) | 2,310 hours @ \$14   | (32,340) |
| Variable overhead | 2,600 hours @ \$6  | (15,600) | 2,310 hours @ \$5.80 | (13,398) |
| Contribution      |                    | 40,430   |                      | 31,163   |

There were no budgeted or actual changes in inventories during the period.

The variable overhead expenditure variance for the period was:

- A. \$462 favourable.
- B. \$462 adverse.
- C. \$2,202 favourable.
- D. \$2,202 adverse.

Correct Answer: B

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**QUESTION 10**

The year-to-date results at the end of month 9 included sales revenue of \$3,600,000 and variable costs of \$2,100,000.

During month 10, sales revenue was \$450,000 and variable costs were \$270,000.

What year-to-date contribution to sales ratio (C/S ratio) would be reported at the end of month 10?

- A. 58,5%
- B. 70,9%
- C. 41,5%
- D. 40,0%

Correct Answer: A

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### QUESTION 11

A company is appraising two projects. Both projects are for five years. Details of the two projects are as follows.

|                     | Project A   | Project B |
|---------------------|-------------|-----------|
| Investment          | \$1,000,000 | \$500,000 |
| Annual cash inflows | \$350,000   | \$175,000 |

Based on the above information, which of the following statements is correct?

- A. An annuity could be used to calculate the net present value of the projects.
- B. The annuity factor for project A would be lower than the annuity factor for the project B.
- C. A perpetuity could be used to calculate the net present value of the projects.
- D. The annuity factor for project A would double the annuity factor for project B.

Correct Answer: A

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### QUESTION 12

The concept of the time value of money:

- A. recognises the fact that a cash flow received today will always be worth more than a larger cash flow received in the future.
- B. is used for making short term decisions.
- C. determines the higher interest rates that must be paid on longer term loans.
- D. recognises the fact that earlier cash flows are worth more because they can be reinvested.

Correct Answer: A

Reference: <https://www.acowtancy.com/textbook/cat-ffm/e1-financing-concepts/e1c-concept-of-time-value-of-money/notes>

