

# CIMA

*PRA17-BA1-1*

*BA1 - Fundamentals of Business Economics*



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### Question: 1

Person's correlation coefficient between the number of shirts sold per day (x) and the number of jackets sold per day (y), across its eight stores (n=8).

If  $\Sigma x = 256$ ,  $\Sigma y = 137$ ,  $\Sigma x^2 = 14278$ ,  $\Sigma y^2 = 4991$  and  $\Sigma xy = 8277$ ,

**Answer:**

8.83

### Question: 2

Some not-for-profit organizations (NPOs) are required to show they are effective. Which one of the following most closely defines effective?

- A. Conducts its activities and operations at low cost
- B. Achieves the goals and objectives set for it
- C. Finds the correct balance between cost and benefit
- D. Doesn't make losses

**Answer: B**

### Question: 3

Which ONE of the following is regarded as a general characteristic of an organization?

- A. Controlled performance of its activities
- B. Social goals towards society
- C. Collective goals towards society
- D. Social arrangement of people

**Answer: B**

### Question: 4

Which of the following describes the slope of a normal supply curve?

- A. Upwards from right to left.
- B. Upwards from left to right.
- C. Downwards from left to right.

D. Downwards from right to left.

**Answer: C**

### Question: 5

Production of a good is in the public interest if

- A. Social benefits are greater than social costs
- B. Private benefits equal private costs
- C. External benefits equal external costs
- D. Social costs are greater than private costs

**Answer: A**

### Question: 6

Which of the following is most likely to lead to a rise in the exchange rate of country's currency and a fall in the price of stocks shares?

- A. An increase in the deficit in the country's balance of payments on current account
- B. Foreign investors purchasing shares on the country's capital markets
- C. An increase in the country's money supply
- D. An increase in rates of interest within the country

**Answer: D**

### Question: 7

Firms may suffer from X-inefficiency because of organizational slack. All of the following would lead to organizational slack except which one?

- A. Uncertainty about future demand
- B. Managers become more cautious
- C. A complex organizational structure in the firm
- D. The number of rival firms increases

**Answer: D**

### Question: 8

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Which of the following are reasons why the principal-agent problem is so critical for businesses? Select ALL that apply.

- A. It limits the control of one layer of management over another
- B. It can lead to dubious managerial practices within the company
- C. It leads to higher profits which ultimately benefit a business
- D. Higher sales means the business will perform well regardless of managerial practice
- E. Co-ordination needs to be good in order for multiple layers of management to function well

**Answer: A B**

### Question: 9

In the long run a firm may find its average cost of production rising because

- A. of the operation of diminishing returns to a fixed factor
- B. of the effect of diseconomies of scale
- C. over time the price of purchased inputs rises
- D. in the long run all costs are variable costs

**Answer: B**

### Question: 10

In a customs union member countries

- A. Meet to agree tariff increases affecting internal trade between themselves
- B. Trade freely with each other and impose their own national restrictions on trade with the rest of the world
- C. Trade freely with each other and accept a common external tariff for trade with the rest of the world
- D. Replace national currencies with a common currency such as the Euro

**Answer: C**

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