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**CIMAPRO15-E03-X1-ENG**

**E3 - Strategic Management Question Tutorial**



**Version 1.0**

**Exam A****QUESTION 1**

Which of the following categorizations would be correct, according to McFarlan's Strategic Grid, for a system which is critical to sustaining existing business but its future strategic importance is considered to be low?

- A. Turnaround
- B. Support
- C. Strategic
- D. Factory

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

Reference: [https://books.google.com.pk/books?id=spVXv8BW-ycC&pg=PA217&lpg=PA217&dq=categorizations+would+be+correct,+according+to+McFarlan%27s+Strategic+Grid,+for+a+system+which+is+critical+to+sustaining+existing+business+but+its+future+strategic+importance+is+considered+to+be+low&source=bl&ots=W9s2tpnYqU&sig=ACfU3U2nIV0lqM5hdp8Ql1ZmanscOkFJmg&hl=en&sa=X&ved=2ahUKEwik\\_I2Zh93mAUB6RoKHchJAdAQ6AEwAHoECAkQAQ#v=onepage&q=categorizations%20would%20be%20correct%2C%20according%20to%20McFarlan's%20Strategic%20Grid%2C%20for%20a%20system%20which%20is%20critical%20to%20sustaining%20existing%20business%20but%20its%20future%20strategic%20importance%20is%20considered%20to%20be%20low&f=false](https://books.google.com.pk/books?id=spVXv8BW-ycC&pg=PA217&lpg=PA217&dq=categorizations+would+be+correct,+according+to+McFarlan%27s+Strategic+Grid,+for+a+system+which+is+critical+to+sustaining+existing+business+but+its+future+strategic+importance+is+considered+to+be+low&source=bl&ots=W9s2tpnYqU&sig=ACfU3U2nIV0lqM5hdp8Ql1ZmanscOkFJmg&hl=en&sa=X&ved=2ahUKEwik_I2Zh93mAUB6RoKHchJAdAQ6AEwAHoECAkQAQ#v=onepage&q=categorizations%20would%20be%20correct%2C%20according%20to%20McFarlan's%20Strategic%20Grid%2C%20for%20a%20system%20which%20is%20critical%20to%20sustaining%20existing%20business%20but%20its%20future%20strategic%20importance%20is%20considered%20to%20be%20low&f=false)

**QUESTION 2**

As a CIMA qualified management accountant working within a manufacturing company, you are subject to both CIMA's Code of Ethics and your company's Code of Business Conduct.

Which TWO of the following statements are TRUE? (Choose two.)

- A. As a CIMA qualified Management Accountant you must follow CIMA's Code of Ethics.
- B. Where there is a difference between CIMA's Code of Ethics and the company's Code of Business Conduct, the company's Code of Business Conduct takes priority.
- C. Both CIMA's Code of Ethics and the company's Code of Business Conduct must be based on a set of basic principles.
- D. Both CIMA's Code of Ethics and the company's Code of Business Conduct include references to Confidentiality. Disclosure on public interest grounds is therefore prohibited.
- E. A company's Code of Business Conduct can be rules based.

**Correct Answer:** DE

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 3**

YZ operates a national mobile phone (cell phone) network in one country. It is considering upgrading its network to 4th Generation (4G) by providing an improved bandwidth that will enable its customers faster access to the Internet.

This investment will cost S29 million which YZ's institutional investors have agreed to provide by subscribing to a rights issue. This is due to management having informed institutional investors that a rival is already offering 4G and that this is taking customers away from YZ because its network is now regarded as too slow. YZ's remaining customers have shown a willingness to pay extra for 4G and overall the investment will have a positive net present value. Which of the following statements are correct? (Choose all that apply.)

- A. It provides a market development opportunity for YZ.
- B. YZ will gain a first mover advantage.
- C. There is stakeholder approval for the investment.
- D. It is essential given the strategic threats to YZ.
- E. There are sufficient investment funds available

**Correct Answer:** CDE

**Section:** (none)

**Explanation**

**Explanation/Reference:****QUESTION 4**

Which THREE of the following frameworks are used **solely** to evaluate the external environment of an organization? (Choose three.)

- A. Porter's Value Chain
- B. Kaplan and Norton's Balanced Scorecard
- C. PEST Analysis
- D. Porter's Diamond
- E. SWOT analysis
- F. Porter's Five Forces Model

**Correct Answer:** ACF

**Section:** (none)

**Explanation**

**Explanation/Reference:**

Reference: [http://www.cimaglobal.com/Documents/ImportedDocuments/cid\\_tg\\_strategic\\_position\\_mar08.pdf.pdf](http://www.cimaglobal.com/Documents/ImportedDocuments/cid_tg_strategic_position_mar08.pdf.pdf)

**QUESTION 5**

RRR is an insurance company which maintains an extensive database of its customer transactions over the last 10 years. RRR is developing a new product and has carried out a SWOT analysis.

Within which of the following aspects of the SWOT analysis would RRR include its customer database?

- A. Opportunity
- B. Threat
- C. Weakness
- D. Strength

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

Reference: [https://www.cimaglobal.com/Documents/ImportedDocuments/cid\\_tg\\_strategic\\_analysis\\_tools\\_nov07.pdf.pdf](https://www.cimaglobal.com/Documents/ImportedDocuments/cid_tg_strategic_analysis_tools_nov07.pdf.pdf) (5)

**QUESTION 6**

When FarmCot Foods was founded five years ago, it was a small shop set up by a family of dairy farmers in a disused farm shed, selling their own produce to the local community. The family had decided, at that point in time, to diversify their dairy farming activities into also selling their own milk, cheese and ice cream products. The aim was to increase their revenues, as dairy farming in their home country had been in decline for a number of years.

Since then, the shop has been very successful and has expanded rapidly over the last three years, due largely to a strong growth in tourism in its home country and a shift in consumer demand for locally sourced fresh farm products. FarmCot Foods is now located in a large purpose-built building on the site of the original farm shed and also operates a very popular café, a children's play area and sells a much wider range of products and gifts, which are all sourced from local suppliers.

Which of the following best describes FarmCot Foods approach to strategy development in the last five years?

- A. Rational
- B. Freewheeling opportunism
- C. Incremental
- D. Emergent

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

Reference: [https://kfknowledgebank.kaplan.co.uk/business-strategy#Emergent\\_x0020\\_strategies\\_0\\_1\\_4\\_1\\_0\\_0\\_0\\_0\\_0\\_0\\_0\\_0\\_0\\_0\\_0](https://kfknowledgebank.kaplan.co.uk/business-strategy#Emergent_x0020_strategies_0_1_4_1_0_0_0_0_0_0_0_0_0_0_0)

**QUESTION 7**

HHH is an international distribution company which operates a number of large distribution warehouses. HHH employs over 10,000 staff who operate the warehouses 24 hours per day and process over 500,000 packages and parcels each day. HHH operates in a highly competitive market and the senior management team recognize the importance of focusing upon its Critical Success Factors (CSF's). However, some senior managers are confused as to the difference between CSF's and Key Performance Indicators (KPI's).

Which of the following are Critical Success Factors for HHH? (Choose all that apply.)

- A. Percentage of stock damaged.
- B. Market share percentage.
- C. Customer satisfaction.
- D. Continual maintenance of warehouse facilities.
- E. Time taken to load and unload deliveries.
- F. Efficient staff planning systems.

**Correct Answer:** BC

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 8

Z is a medium-sized UK based accounting practice. Z operates a graduate training scheme. The trainees are given an induction and then placed on a three-year training programme designed to help develop professional skills and experience.

The training programme has been in existence for many years. However, there is no clear consensus amongst the partners of Z about what the trainees should be able to do on completion of the programme and therefore what the training programme should emphasize. This lack of clarity is affecting the morale and commitment of the trainees and significant numbers are failing the programme or leaving to join a rival firm.

Z's HR Department recognizes the need for committed and well motivated accountants to meet the increased expectations of clients and the competition from rival firms. The HR Department has identified changes to the training programme that can be implemented gradually through a series of initiatives.

Which TWO of the following statements regarding the change required in Z are correct? (Choose two.)

- A. Understanding which day-to-day behaviors to reinforce within the training programme, is about 'routines and rituals' according to the Cultural Web.
- B. The change would be classified as a 'revolutionary change' according to Balogun and Hope Hailey.
- C. The need to manage the competitive position is an example of an 'external direct trigger' for change.
- D. The plans to combat competition would be considered as a 'structure' factor according to the McKinsey 7 S model.
- E. The skills, abilities and competences of the organization's employee's are a 'hard' factor according to the McKinsey 7 S model.

**Correct Answer:** CE

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 9

M is a car manufacturer in Country C. Every day, at 09.00, members of M's staff practice meditation and Tai Chi for 30 minutes, before their normal workday commences.

M's staff are paid during this time and M considers the practice to be a benefit both to staff and the company. Staff operate with high levels of efficiency and absenteeism levels are low.

The auditors of M have recommended that M stop these sessions, stating that they consider them to be a waste of time and a drain on resources.

Which of the following aspects of M's culture would the auditors recommendation impact on?

- A. Stories and myths
- B. The organizational paradigm and values
- C. Routines and rituals
- D. Symbols

**Correct Answer:** B  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

#### QUESTION 10

STU is a hospital that is wholly funded by its national government. In the last five years it has seen its funding cut by over 30% due to budgetary pressure on the government, caused by a global recession. As a result, the senior management team of STU has had to make some very difficult decisions about prioritizing how it spends the funds it receives from the government. Its main strategies have been to reduce the number of administration staff and nursing staff by 20%, in order to reduce its costs. It has also stopped providing a number of services to patients, including its counselling services and its physiotherapy unit.

Which of the following strategies has STU adopted to manage its reduced funding? (Choose all that apply.)

- A. Liquidation
- B. Divestment
- C. Retrenchment
- D. Facilitation
- E. Turnaround

**Correct Answer:** B  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

Reference: [http://www.cbsmohali.org/course\\_material/fourth\\_semester/strategic%20management.pdf](http://www.cbsmohali.org/course_material/fourth_semester/strategic%20management.pdf) (63)

#### QUESTION 11

RRR is a medium sized company, which has built family homes in Country B for twenty years. The Board of RRR wishes to expand company operations and start building homes in the neighboring country. The Board of RRR wishes to undertake a position audit to help in this decision.

Which of the following strategic analysis tools would be used in a position audit for RRR?

- A. Gap Analysis
- B. PEST
- C. SWOT
- D. Five Forces

**Correct Answer:** C  
**Section:** (none)  
**Explanation**

**Explanation/Reference:**

Reference: [https://www.cimaglobal.com/Documents/ImportedDocuments/cid\\_tg\\_strategic\\_analysis\\_tools\\_nov07.pdf.pdf](https://www.cimaglobal.com/Documents/ImportedDocuments/cid_tg_strategic_analysis_tools_nov07.pdf.pdf)

#### QUESTION 12

SSS University wishes to introduce a new Car Park Management Strategy (CPMS). The aim of this strategy is to reduce the use of private cars and to encourage sustainable transport, such as cycling and public transport, by staff and students. SSS has decided to reduce the number of car parking spaces and introduce parking charges.

The Management Accountant has decided to use the Balanced Scorecard to help prepare a performance management system to assess the performance of the new CPMS.

Which of the following is an example of the Innovation and Learning perspective of a Balanced Scorecard for SSS?

- A. Easy access to car parking spaces.
- B. Number of days of training for car park attendants.
- C. Reduction in complaints from customers.
- D. Speed of processing the payment for parking charges.

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

### QUESTION 13

DDD is a business which sells entertainment products and now wants to move to a position where it uses e-business as a fundamental part of its business strategy.

Which of the following benefits would result from DDD's use of e-business? (Choose all that apply.)

- A. Cost reductions because of lower overheads and cheaper procurement.
- B. Better control of information through monitoring website activity.
- C. Easier access to loan finance.
- D. An increased use of tacit knowledge.
- E. A reduction in labour turnover and higher morale.
- F. Increased online revenues.

**Correct Answer:** AF

**Section:** (none)

**Explanation**

**Explanation/Reference:**

### QUESTION 14

DRAG DROP

QR is a conglomerate with two divisions, A and B. Given the information below, select the most appropriate strategy for each division to implement.

**Select and Place:**

Division A has a strong brand but the technology used in its products is becoming outdated.	
Division B is making financial losses in a mature market where its sales are considerably less than the sales of rival companies.	

Market penetration

Diversification

Divestment

Product development

**Correct Answer:**

Division A has a strong brand but the technology used in its products is becoming outdated.	Product development
Division B is making financial losses in a mature market where its sales are considerably less than the sales of rival companies.	Market penetration

Market penetration
Diversification
Divestment
Product development

**Section: (none)**

**Explanation**

**Explanation/Reference:**

Explanation:

#### QUESTION 15

CCC is a software design company. The Board of CCC has always openly encouraged partnerships with a wide range of designers and other organizations in its industry in order to continually develop and enhance the services it offers and to utilize the expertise and knowledge of a range of individuals and organizations. CCC's staff have also been highly creative and innovative in the design services they provide. CCC regularly analyses and keeps up to date with changes in the environment in which it operates. CCC operates a sophisticated website to promote its services and keep in touch with its service users.

Which TWO of the following attributes of a change adept organization, as defined by Kanter, has CCC demonstrated? (Choose two.)

- A. Imagination to innovate
- B. Continual service development
- C. Openness to collaborate
- D. Environmental awareness
- E. Sophisticated systems

**Correct Answer: BD**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 16** HH is an outdoor theatre which is based in the capital city of country N. Tickets for shows can be booked at the ticket office or online. HH has identified the following critical success factors (CSFs):

- An excellent, online ticket booking system
- Customer satisfaction

Which of the following would be suitable key performance indicators (KPIs) for HH? (Choose all that apply.)

- A. Customer show ratings, scored out of ten.
- B. Number of returning customers each year.
- C. Profit from sales of snacks and drinks.
- D. Employee turnover.
- E. Percentage of ticket bookings aborted before completion.
- F. Number of customer complaints.

**Correct Answer:** EF

**Section:** (none)

**Explanation**

**Explanation/Reference:**

# **QUESTION 17**

DRAG DROP

LMN is a fast food manufacturer that makes 'Ready-meals'.

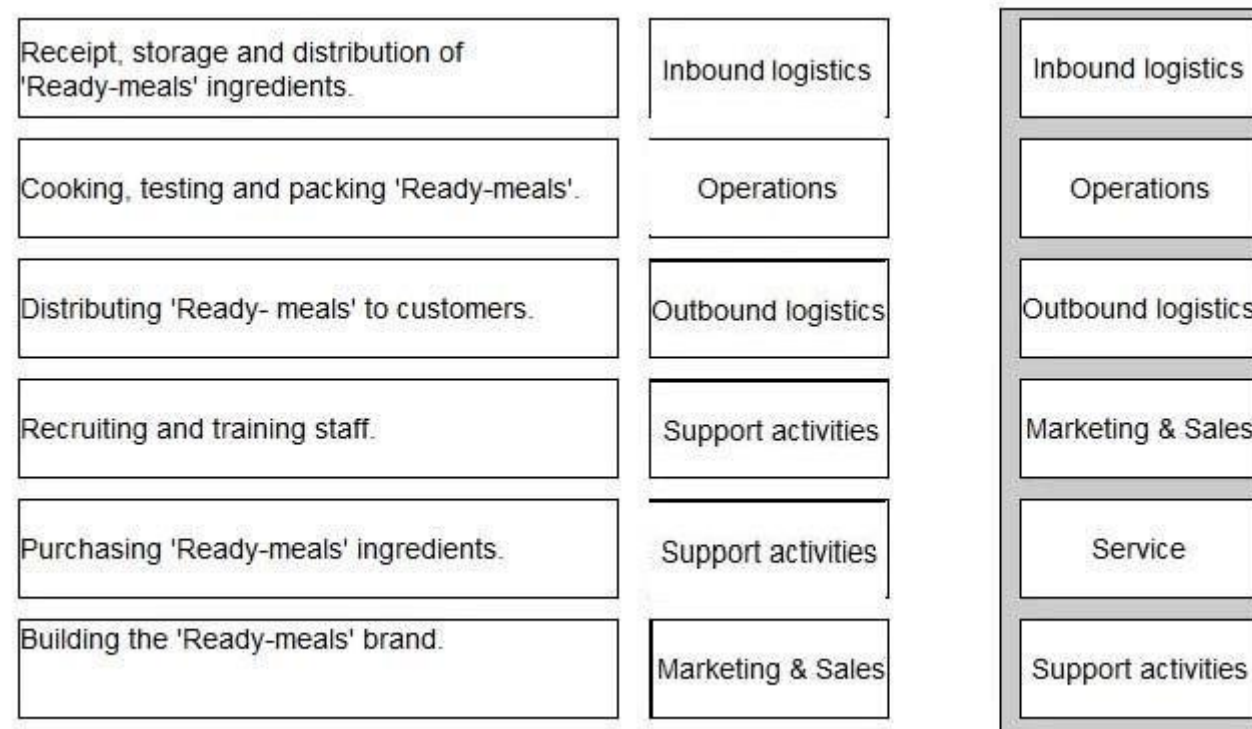
Place the appropriate stage of the Value Chain against each of the activities below:

**Select and Place:**

Receipt, storage and distribution of 'Ready-meals' ingredients.		Inbound logistics
Cooking, testing and packing 'Ready-meals'.		Operations
Distributing 'Ready-meals' to customers.		Outbound logistics
Recruiting and training staff.		Marketing & Sales
Purchasing 'Ready-meals' ingredients.		Service
Building the 'Ready-meals' brand.		Support activities

**Correct Answer:**





**Section: (none)**

**Explanation**

**Explanation/Reference:**

Explanation:



#### QUESTION 18

QWE is a private company belonging to a famous former sports professional. It operates gyms and fitness clubs across its home country. Each gym or fitness club is treated as a profit center and the manager of each center is paid bonuses based on its financial performance.

QWE introduced multidimensional performance measures into its management control systems 3 years ago. These measure competitiveness, financial performance, capacity utilization, innovation and the flexibility of its centers to cope with changing demands.

The managers of QWE's centers have been leaving at a very high rate over the last 2 years. They have claimed that the measures are too open to interpretation and when they think they are improving their center's performance they are told they are doing the wrong things. They also complain that the managers in the centers near big cities find it much easier to reach their targets than the managers of other centers.

According to Fitzgerald and Moon's Building Block model, where does the problem lie?

- A. Standards and Rewards
- B. Standards, Dimensions and Rewards
- C. Dimensions and Standards
- D. Dimensions and Rewards

**Correct Answer: C**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

#### QUESTION 19

According to Porter's Five Forces model, which of the following would be evidence of **high** buyer power?

- A. There is a low probability of backward integration.

- B. Products are not standardized and buyers cannot easily switch to another product.
- C. Buyers are fragmented and act independently of each other.
- D. There is a concentration of buyers.

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 20

DRAG DROP

PQ is an international airline.

In accordance with Porter's Value Chain, select "Primary" or "Support" for each of the activities listed below:

**Select and Place:**

	Primary	Support
Organising the recruitment of all personnel.		
Flying 30,000 passengers each day.		
Updating all IT and communications equipment.		
Promoting the airline's brand.		
Receiving and storing spare engine parts.		

**Correct Answer:**

<table> <tr> <td>Primary</td><td>Support</td></tr> </table>		Primary	Support
Primary	Support		
Organising the recruitment of all personnel.	Primary		
Flying 30,000 passengers each day.	Primary		
Updating all IT and communications equipment.	Support		
Promoting the airline's brand.	Primary		
Receiving and storing spare engine parts.	Primary		

**Section: (none)**

**Explanation**

**Explanation/Reference:**

Explanation:

#### QUESTION 21

GV is a manufacturer and retailer of high quality suede gloves. GV makes all of its sales in country F, and is extremely profitable. After many successful years trading, GV has accumulated significant cash reserves and would like to grow the business organically.

After some investigation work, GV has discovered an opportunity to sell leather shoes in country P.

Which of the following strategic directions is GV taking if it pursues this opportunity, according to Ansoff's product / market matrix?

- A. Product development
- B. Market development
- C. Related diversification
- D. Market penetration

**Correct Answer: C**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

#### QUESTION 22

Which of the following would be a suitable performance measure of Internal Business Processes within Kaplan and Norton's 'Balanced Scorecard' model?

- A. Reduction in manufacturing cycle times.
- B. New products developed.
- C. Increase in market share.
- D. Higher P/E ratio.

**Correct Answer: A**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 23**

TTT recently appointed a new Chief Executive, R, to lead it through a period of major change. R immediately set up a change management team which consisted of several senior managers and directors from across the organization. Together, they formulated an overall goal for change and then spent several weeks presenting the need for change to all of the staff through a series of staff meetings. At these meetings R involved staff and built their ideas into the final change strategy.

R also set a series of interim goals to encourage ongoing performance throughout the change process. When the organization reached these goals, R widely publicized these achievements to help motivate staff.

However, after six months, TTT had failed to reach most of the interim goals that had been set. Most of the members of the change management team had not maintained a significant interest in the change process and many of the staff felt that there had been a lack of communication and reward following the initial few weeks of the change process.

Kotter suggested that there were eight steps required to successfully lead change.

Which TWO of the following did R fail to achieve? (Choose two.)

- A. Never letting up
- B. Incorporate change into the culture
- C. Develop a change vision
- D. Generate short term wins
- E. Empower broad based action

**Correct Answer: CD**

**Section: (none)**

**Explanation**

**Explanation/Reference:**



**QUESTION 24**

You work as a Management Accountant for GHJ, a company that includes commitments to 'sustainability' in its mission statement.

Which THREE of the following are contributions that you, as Management Accountant, could make towards the achievement of this part of the company's mission statement? (Choose three.)

- A. Project evaluations that include the externalities as well as the cash costs.
- B. Providing financial information with all non-recurring expenditures and incomes removed.
- C. Ensuring the organization adopts the lowest cost technologies and suppliers.
- D. Integrated reporting of the triple bottom line of Profits, People and Planet.
- E. Measures of organization's use of non-renewable resources and environmental emissions.

**Correct Answer: ADE**

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 25**

A is a private healthcare organization aiming to provide affordable and accessible high quality patient services. A is introducing Big Data, which has not yet been adopted by the competition. A's database will store a huge amount of information about its patients. Clear access to wide sources of accurate information will enable patients to make more informed choices. Patients will be able to compare not only the prices of drugs, treatments and physicians but also their relative effectiveness.

Which of the following concerns should A have about its use of Big Data?

- A. Lack of competitive advantage

- B. Veracity of information
- C. Variety of information
- D. Privacy issues

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 26

You have been given responsibility, as a newly qualified management accountant, for delivering an ambitious project to centralize and computerize the accounts function within a medium-sized, geographically dispersed business. The timetable also requires the project to be delivered within a very short timescale with limited resources. You have built a team to deal with these proposed changes. With regard to effective teams and change, which THREE of the following statements are **correct**? (Choose three.)

- A. Teams that cross departmental boundaries can destroy shared values.
- B. Teams play minor roles in institutional change.
- C. Individuals must become more than they were when working alone and must develop new commitments and behaviors.
- D. Teams should continue after their purpose has been served.
- E. Teams that cross departmental boundaries can develop new performance criteria.
- F. Teams enhance learning and address change directly through creating recommendations and new ideas.

**Correct Answer:** CEF

**Section:** (none)

**Explanation**

**Explanation/Reference:**



#### QUESTION 27

Plush is a medium-sized hotel which recently opened on the outskirts of a city which is popular with tourists. It has a sophisticated website which allows customers to pre-book rooms and additional items, such as meals in its restaurant and tickets for popular tourist attractions in the city.

Plush has listed its website on a popular hotel price comparison website, which allows customers to compare prices and facilities of hotels in the same area and this has resulted in over 60% of Plush's customer bookings so far.

Since listing on the price comparison website, the Sales Manager of Plush has noticed that the prices offered by its nearest competitors have reduced dramatically and their range of special offers have also increased.

Which TWO of Porter's Five Forces have been most affected by the use of the price comparison website by the hotels in the same area as Plush? (Choose two.)

- A. Competitive rivalry.
- B. Threat of substitutes.
- C. Bargaining power of suppliers.
- D. Threat of new entrants.
- E. Bargaining power of customers.

**Correct Answer:** BE

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 28

DRAG DROP

AB uses Johnson, Scholes and Whittington's criteria of 'Feasibility and Acceptability' to evaluate potential strategies. AB has begun a project to re-engineer its best selling product.

Apply the appropriate criterion to each of the questions below:

**Select and Place:**

Can AB procure an adequate amount of raw material for the project?		<div>Feasible</div> <div>Acceptable</div>
Can AB finance the project's working capital requirement?		
Can the project generate at least 9% internal rate of return?		
Can the project meet the requirements of AB's external stakeholders?		

**Correct Answer:**

Can AB procure an adequate amount of raw material for the project?	Feasible	<div>Feasible</div> <div>Acceptable</div>
Can AB finance the project's working capital requirement?	Feasible	
Can the project generate at least 9% internal rate of return?	Feasible	
Can the project meet the requirements of AB's external stakeholders?	Acceptable	

**Section: (none)**

**Explanation**

**Explanation/Reference:**

Explanation:

**QUESTION 29** Which THREE of the following issues relate to the Corporate Strategy of an organization?  
(Choose three.)

- A. Entering new industries.
- B. Avoiding competitive disadvantages.
- C. Achieving advantage over competitors.
- D. Meeting the needs of key customers.
- E. Leaving existing industries.
- F. Acquisitions, disposals and diversification.

**Correct Answer:** BDF

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 30**

SDC is a medium sized IT systems development company. SDC employs highly qualified and experienced systems development experts. It invests heavily in staff training and development and as a result, staff are highly motivated and staff turnover is low. SDC has a strong culture of team work and innovation, which the senior managers believe is the basis of SDC's success. The senior managers, who are also the founders of SDC, are highly experienced and have a strong vision for the business.

Which THREE of the following factors would be the main focus of a resource audit for SDC? (Choose three.)

- A. Make-up
- B. Markets
- C. Manpower
- D. Machinery
- E. Management
- F. Money

**Correct Answer:** ACE

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 31**

ZYX is a global hotel chain, employing over 10,000 staff worldwide. ZYX operates a Code of Conduct for all of its staff, which states "Our staff are the most important assets of our business operations. We expect the highest standards of ethical and professional conduct from all staff, who must display the principles of trust, respect, equality, integrity and fairness at all times."

Which THREE of the following actions could ZYX take to positively influence its staff to work to the ethical and professional principles in its Code of Conduct? (Choose three.)

- A. Disciplinary actions, such as fines, for staff who do not display high ethical and professional standards.
- B. Publication on its website of ZYX's Code of Conduct and regular examples of staff displaying the highest standards of professional conduct.
- C. Induction and on-going staff training on ZYX's Code of Conduct and ethical and professional principles.
- D. Interview process for staff prior to employment, to assess their understanding of ethical and professional behavior.
- E. Set performance targets in diversity and equality for its hotel senior managers.
- F. Operate a system of reward incentives for staff who display high ethical and professional standards.

**Correct Answer:** CDF

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 32**

Company CCC is an automotive component manufacturer. It manufactures three main products within its portfolio:

Product 1: Relative market share of 0.1; Market growth rate of -2%  
Product 2: Relative market share of 4.0; Market growth rate of +3%  
Product 3: Relative market share of 0.3; Market growth rate of +15%

Which TWO of the following statements are CORRECT? (Choose two.)

- A. Product 2 is likely to be at the mature stage of its life cycle, is likely to benefit from significant economies of scale.
- B. Product 3 is likely to be at the growth stage of its life cycle, at high risk of failure and further investment should be considered.
- C. Product 1 is likely to be at the mature stage of its life cycle, operating in a contracting market and is fairly cash neutral.
- D. Product 2 is likely to be at the growth stage of its life cycle, have weak profitability, poor cash generation and high capital requirements.
- E. Product 1 is likely to be at the mature stage of its life cycle, have strong profitability and further investment should be considered.

**Correct Answer:** BD



**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 33** Which THREE of the following statements apply to Lynch's performance pyramid?

(Choose three.)

- A. The performance pyramid is designed to ensure that all activities support the organization's vision.
- B. The right-hand side of the pyramid contains measures which are predominantly non-financial.
- C. The left-hand side of the pyramid contains measures which have an external focus.
- D. The business operating systems level includes the market-related Critical Success Factors.
- E. The lowest level of the pyramid contains the day-to-day operational measures.
- F. The business unit level includes measures which relate to internal systems needed to meet customers' needs.

**Correct Answer:** CDF

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 34**

TUV had an employee turnover rate of 25% among new recruits and was becoming short of skilled workers. The Board of TUV realized there was something dramatically wrong and called in consultants to assess the problem. The consultants recommended transformational change in that TUV should redesign the entire production system, change the placement of all equipment and the flow of work, redefine every job and give all workers new assignments.

Which type of change did the consultants recommend for TUV?

- A. Evolution
- B. Reconstruction
- C. RevolutionD. Adaptation



**Correct Answer:** B

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 35**

Ansoff has provided a product/market growth matrix which denotes possible strategic directions that an organization can follow. Which

of the following statements correctly describe the strategic options generated by the matrix? (Choose all that apply.)

- A. Diversification using new products in new markets.
- B. Product development using new products in new markets.
- C. Market development using existing products in new markets.
- D. Market penetration using existing products within existing markets.
- E. Market penetration using existing products in new markets.
- F. Market penetration using new products within existing markets.

**Correct Answer:** BDF

**Section: (none)**

**Explanation**

**Explanation/Reference:**



**QUESTION 36**

DF Company is undertaking a strategic review of its activities and has asked you to explain how a Force Field analysis would assist in the review process.

Which of the following statements would be **most** appropriate?

- A. As part of DF's strategic review, identify forces facilitating the need for proposed change.
- B. Identify forces facing DF's activities that may create barriers and resistance to change.
- C. Provide a framework for identifying forces for and against the proposed changes within DF.
- D. Identify influential senior managers who will drive through changes in DF's strategic direction.

**Correct Answer:** C

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 37**

LLL is an international oil and gas exploration company. It is considering investing \$300 million in developing new oil fields in Country D. For this it will need to obtain a license from the government of Country D.

These new oil fields will bring much wealth to Country D because a large proportion of the revenue from the production of oil will be paid to the government as part of the licensing agreement.

However, oil production in Country D will have some undesirable social effects, such as the threat of pollution, congestion to the roads and pressure on local amenities such as housing, electricity and clean water.

Which of the following approaches to stakeholder management should LLL NOT undertake in order to enter Country D?

- A. Issue free shares in a Joint Venture to develop oil fields to government ministers from Country D.
- B. Commit to improving the local amenities and roads as a part of the application for a license in Country D.
- C. Develop and circulate a promotional video showing the benefits enjoyed by other countries in which LLL operates.
- D. Undertake stakeholder mapping to identify the interests of the most powerful players in the decision to grant a license to LLL.

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 38**

Which of the following would be likely to encourage an organization to use Scenario Planning? (Choose all that apply.)

- A. The organization often experiences 'group-think', leading to a narrow view of the future.
- B. Competitor's are increasingly using Scenario Planning as part of their strategy formulation process.
- C. The organization has achieved all of its objectives and operates within a stable external environment.
- D. The organization has not previously experienced any major surprises or expensive strategic mistakes.
- E. Uncertainty in the industry is high, relative to management's ability to predict or adjust to change.

**Correct Answer:** CE

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 39**

PQR is a charity which has an excellent reputation within its home country. PQR employs over 300 highly experienced staff and has 200 skilled volunteers. PQR's funding mainly comes from donations from the public but its public profile is low compared to larger, more publicized charities.

Due to a recent recession, public donations to PQR have fallen in the last five years, but demand for its services continues to grow.

The government of the country in which PQR operates is encouraging greater collaboration between charities and there have been several recent successful mergers within the charity sector. PQR has recently been approached by a high profile and well funded charity, DDD, with a merger proposal. DDD offers complementary services to those offered by PQR.

Which TWO of the following factors would most likely be considered as an '**opportunity**' for PQR? (Choose two.)

- A. Highly experienced staff
- B. Donations from the public
- C. Growing demand for its services
- D. The excellent reputation of DDD
- E. Merging with DDD

**Correct Answer:** AC

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 40

'Big data' refers to datasets whose size is outside the ability of typical database software tools to capture, store, manage and analyze.

Which of the following statements is NOT a valid statement with regard to 'big data'?

- A. 'Big data' will require the right infrastructure, incentives and safeguards to address public concerns.
- B. As technology advances overtime, the size of datasets that qualify as 'big data' will also increase.
- C. The definition of 'big data' can vary by sector, depending on the software tools and dataset sizes common to a particular industry.
- D. Sufficient analytical and managerial talent is available to exploit the opportunities associated with 'big data'.

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 41

Country W hosts a large music competition every 5 years, which is attended by many international musicians. The success of the competition is dependent upon effective Customer Relationship Marketing being established with many different market groups around the world. These include music colleges who send their students, broadcasting companies who broadcast the event on radio and television, audience members, online ticket sellers and music journalists who write about the competition in specialist journals.

Using Payne's 'Six Markets Model', which of the following is the correct classification for the music journalists writing about the competition?

- A. Customer market
- B. Supplier market
- C. Referral market
- D. Influence market

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 42

A **direct** external change trigger is:

- A. A general increase in the use of the Internet by society.

- B. An economic recession in an organization's home country.
- C. A powerful competitor forcing an organization to cut its prices.
- D. The introduction of new environmental protection policies by the government.

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

Reference: [https://books.google.com.pk/books?id=spVXv8BW-ycC&pg=PA496&lpg=PA496&dq=cima+direct+external+change+trigger&source=bl&ots=W9s2vgo5wU&sig=ACfU3U0JmMjMgOyVyUudozCuLv-KCNJKyg&hl=en&sa=X&ved=2ahUKEwidp\\_aiqODmAhVHx4UKHcWLCK8Q6AEwC3oECAkQAQ#v=onepage&q=cima%20direct%20external%20change%20trigger&f=false](https://books.google.com.pk/books?id=spVXv8BW-ycC&pg=PA496&lpg=PA496&dq=cima+direct+external+change+trigger&source=bl&ots=W9s2vgo5wU&sig=ACfU3U0JmMjMgOyVyUudozCuLv-KCNJKyg&hl=en&sa=X&ved=2ahUKEwidp_aiqODmAhVHx4UKHcWLCK8Q6AEwC3oECAkQAQ#v=onepage&q=cima%20direct%20external%20change%20trigger&f=false)

#### QUESTION 43

M has been appointed as an external change agent to lead and implement a large scale re-structuring strategy which is being undertaken by a large bank. M has been appointed due to his extensive experience in a wide range of organizational re-structuring programmes. This re-structuring strategy will involve a large number of redundancies and the implementation of a new organization-wide management reporting system. M will need to work with staff from all departments and levels of the organization. The Board of Directors of the bank believes that an external change agent will bring more benefits to the change process than using an internal change agent. Which of the following are the most likely benefits that could be achieved by the bank by appointing an external change agent to lead and implement the re-structuring strategy? (Choose all that apply.)

- A. The change process should be less costly if an external change agent is appointed.
- B. The bank can exploit the specialist expertise of the external change agent.
- C. As a dedicated resource, the external change agent can give more time to the change process.
- D. The external change agent will be more objective in decision-making than an internal change agent.
- E. The external change agent will have better relationships with the bank employees than an internal change agent.
- F. The speed of delivery of the change process will be quicker when using an external change agent.

**Correct Answer:** DF

**Section:** (none)

**Explanation**

**Explanation/Reference:**



#### QUESTION 44

Directors have a duty to shareholders and other stakeholders and are required to promote the success of the company.

Which THREE of the following are valid roles and responsibilities of directors? (Choose three.)

- A. To be responsible for keeping all external stakeholders satisfied.
- B. To have regard for the interests of the company's employees.
- C. To focus only on maximizing company profits.
- D. To consider the likely consequences of any decision in the long term.
- E. To avoid conflicts of interest and of duties.

**Correct Answer:** BDE

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 45** Information Systems (IS) strategy is correctly defined as:

- A. The planning, organizing, investment and control of information applications in the organization.
- B. Identifying the information needs of the organization and aligning development to them.
- C. Decisions on the hardware, software and communications solutions used in the organization.
- D. The roles and structure of information specialists in the organization and their relationship with users.

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

Reference: [http://www.cimaglobal.com/Documents/ImportedDocuments/cid\\_tg\\_information\\_strategy\\_jul08.pdf](http://www.cimaglobal.com/Documents/ImportedDocuments/cid_tg_information_strategy_jul08.pdf) (4)

**QUESTION 46**

A Service Level Agreement (SLA) defines exactly what services a service provider will provide and the required level or standard for those services.

Which of the following statements regarding Service Level Agreements is NOT correct?

- A. Service Level Agreements should include the expected response time to technical queries.
- B. Service Level Agreements should include the targets and benchmarks to be used and the consequences for failing to meet them.
- C. Service Level Agreements should include the procedures for cancelling the contract.
- D. Service Level Agreements should include a guarantee to provide 100% availability for complaint resolution.

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 47**

ABC is an independent training provider in Country F. It provides training in business related subjects to a wide range of corporate customers. All of its tutors must possess a nationally accredited training qualification before being allowed to teach and all of its courses follow nationally accredited programmes which are externally monitored. This is considered to be a critical aspect of its business reputation.

ABC has one major competitor, XYZ, within Country F. XYZ offers similar courses to ABC but its tutors do not have to have an accredited training qualification and its courses do not follow the national accredited programmes. The style and content of courses varies significantly between XYZ's centers.

There are a number of universities which offer nationally accredited courses within Country F. ABC does not consider these as competitors because typically they attract students wishing to undertake degree courses. The average university pass rate for nationally accredited programmes is currently higher than ABC's.

Which of the following types of benchmarking would be most useful for ABC?

- A. Process
- B. Internal
- C. Competitor
- D. Strategic

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 48**

Which of the following statements is NOT a role for Management Accountants involved in the strategy development process?

- A. Consider and raise awareness of the ethical impact of proposed strategic decisions.
- B. Integration of financial and non-financial information.
- C. Writing the Annual Report.
- D. Assist the Board in determining risk appetite.

**Correct Answer:** D

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 49**

Which TWO of the following are advantages to an organization of using non-financial performance measures, rather than financial performance measures? (Choose two.)

- A. They are less expensive to measure than financial performance measures.
- B. They present a wider view of organizational performance than financial performance measures.
- C. They are less subjective than financial performance measures.
- D. They are not distorted by inflation.
- E. They are easier to measure than financial performance measures.

**Correct Answer:** BC

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 50**

BBB is a manufacturer that has been criticized in the financial press because it does not have a policy for sustainability.

Which THREE of the following elements would be crucial to BBB successfully embedding sustainability into its activities? (Choose three.)

- A. BBB should include sustainability targets in performance appraisal.
- B. BBB's Board should make a commitment to sustainability.
- C. BBB should give all its staff training in sustainability.
- D. BBB should spend at least 0.1% of its Net Profit on sustainability projects.
- E. BBB should employ a new public relations consultancy.
- F. BBB should investigate the costs and benefits of establishing a sustainability department.



**Correct Answer:** BCE

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 51**

A leading retail chain is undertaking environmental scanning as it is concerned that it is becoming uncompetitive and profits have started to fall. The Board of Directors is concerned that it will need to have a viable strategy to present to its shareholders at the next annual general meeting, in order to prevent shareholders' protests.

The company has been reluctant in the past to offer an Internet shopping service. It now believes, however, that by offering this service and introducing customer relationship marketing (CRM), this will produce a strategy that will help it to improve its competitiveness.

Which of the following statements apply to CRM? (Choose all that apply.)

- A. The company must be prepared to take customers' needs into account and be able to meet these needs.
- B. In mature markets, existing customers provide the most likely source of future earnings.
- C. CRM is about marketing to customers to obtain their loyalty, so customer research is not needed.
- D. CRM utilizes marketing resources to retain, rather than simply attract new customers.
- E. The CRM process needs to include increasing the range of products that will be offered to customers.

**Correct Answer:** AD

**Section:** (none)

**Explanation**

**Explanation/Reference:**

**QUESTION 52** Company TTT produces a range of products, including products T1 and T5.

Product T1: Profitability has declined in recent years, although small profits continue to be made as the market contracts due to changing customer preferences. Overall market share is low and continues to reduce. However, in addition to external sales T1 is also used as a component of product T5.

Product T5: A market leader within a low growth market, sources components both externally and from TTT's other subsidiaries. T5 benefits from significant economies of scale and TTT has recently considered modernizing its T5 production line but following a cost benefit analysis, decided not to proceed.

Which of the following is an appropriate strategy for TTT to adopt?

- A. Divest both product T1 and product T5.
- B. Harvest product T1 and Divest product T5.
- C. Harvest both product T1 and product T5.
- D. Divest product T1 and Harvest product T5.

**Correct Answer:** B

**Section:** (none)

**Explanation**

**Explanation/Reference:**

### QUESTION 53

DRAG DROP

In order to organize the value-adding activities to support a chosen strategy, Porter's Generic Strategies are often applied within an organization's value chain.

Against each of the activities listed below, select the Generic Strategy which best defines the strategic approach being taken.

**Select and Place:**

Activity within the value chain	Generic Strategy
Operations: Mass production in low wage economies.	
Procurement: Bulk purchasing of raw materials.	
Marketing and Sales: Exclusive brand development and promotion.	
Infrastructure: Business based in one location, close to its customers.	
Human Resource Management: Regular training in customer service.	
Marketing and Sales: Advertising based on quality of product/service.	

Cost Leadership

Focus

Differentiation



**Correct Answer:**

Activity within the value chain	Generic Strategy
Operations: Mass production in low wage economies.	Cost Leadership
Procurement: Bulk purchasing of raw materials.	Cost Leadership
Marketing and Sales: Exclusive brand development and promotion.	Differentiation
Infrastructure: Business based in one location, close to its customers.	Focus
Human Resource Management: Regular training in customer service.	Differentiation
Marketing and Sales: Advertising based on quality of product/service.	Differentiation



**Section: (none)**

**Explanation**

**Explanation/Reference:**

Explanation:

#### QUESTION 54

An organization must acquire suitable hardware and software in order to implement a knowledge management strategy so that knowledge can be stored and communicated.

Which of the following would be appropriate systems to use in a knowledge management strategy? (Choose all that apply.)

- A. Intranet
- B. Local area network
- C. Social media
- D. Ledgers and journals
- E. Internet
- F. Groupware

**Correct Answer:** AB

**Section: (none)**

**Explanation**

**Explanation/Reference:**

**QUESTION 55** Which of the following would be correct considerations when evaluating the **Feasibility** of a strategy? (Choose all that apply.) A. Will there be sufficient time to implement the strategy?

- B. Will the strategy exploit the core competencies of the business?
- C. Will the strategy maintain competitive advantage?
- D. Will customers object to the strategy?
- E. Will the business be able to deal with the responses of its competitors to the strategy?

**Correct Answer:** AB

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 56

RST is a company specializing in the production of wood-based products. RST has decided to introduce a fully integrated Information System across all divisions in order to improve knowledge sharing throughout the business and enhance customer relationship management.

RST is expecting resistance to the integrated Information System from its staff who are key to the business and would be difficult to replace. Staff have a good understanding of why the new system and knowledge sharing is needed and how the system will work but many staff are not happy about the potential changes to their working conditions.

Which of the following change leadership styles, as outlined by Kotter and Schlesinger, would be most appropriate for RST to adopt?

- A. Education
- B. Coercion
- C. Manipulation
- D. Negotiation

**Correct Answer:** A

**Section:** (none)

**Explanation**

**Explanation/Reference:**



#### QUESTION 57

BCA is a long established international airline. Which of the following represent **Threats** to BCA's business? (Choose all that apply.)

- A. A sudden increase in international terrorism.
- B. A substantial rise in the price of oil.
- C. A higher level of private car ownership.
- D. Greater popularity of long-haul holidays.
- E. A shortage of trained pilots in BCA.

**Correct Answer:** BE

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 58

HHH is a manufacturer which has a bonus scheme for its production workers related to the speed of output. HHH's products are very specialized and are made in a dangerous production environment. HHH's production workers usually work alone but sometimes, if there are problems in the production environment (for example, machinery breakdowns), they have to work in teams. When the production workers are working in teams they do not receive any bonus.

HHH's senior management is proposing to amend the current bonus scheme to encourage increased productivity. Under the current bonus scheme, production workers receive extra pay when they achieve 45% of their individual target: The target level is low because of the dangerous production environment and the need to occasionally work in teams.

Under the proposed bonus scheme, production workers will not receive any extra pay until they have achieved 90% of their individual target. Workers who achieve 90% or above of their individual target will be paid a 30% higher bonus.

Which THREE of the following problems is HHH most likely to encounter with the introduction of the proposed bonus scheme? (Choose three.)



- A. The extra production output will lead to an increase in inventory.
- B. The proposed bonus scheme conflicts with health and safety legislation.
- C. Production workers could consider the new target as unachievable.
- D. Production workers will not be motivated by the proposed level of bonus.
- E. There could be a rise in the level of workplace accidents.

**Correct Answer:** ADE

**Section:** (none)

**Explanation**

**Explanation/Reference:**

#### QUESTION 59

DRAG DROP

YZ is a family-run business which manufactures and sells confectionery, employing almost 100 staff. It operates 10 shops in small towns in the north of country P. Sales of YZ's products have decreased over the last 4 years due to competition from large supermarkets, internet shopping and a general economic downturn, which has hit the north of country P especially hard.

YZ's managing director has recently retired and the board decided to fill the vacancy with an external appointment. The new managing director plans to invest in new manufacturing technology, which would cut staffing levels by 15% and reduce wastage, allowing YZ to lower its prices. YZ's staff are very unhappy about these proposals, feeling that they will destroy YZ's family tradition and reputation that has developed over many years.

Select the correct descriptor for each of the forces for change below:

**Select and Place:**

Driving force	Restraining force
The prevailing economic environment.	
The appointment of a new managing director.	
Attitudes about the proposed changes held by the staff.	
Developments in manufacturing technology.	
The attitudes and behaviours of customers.	
The family members of the board of directors.	

**Correct Answer:**

Driving force	Restraining force
The prevailing economic environment.	Driving force
The appointment of a new managing director.	Driving force
Attitudes about the proposed changes held by the staff.	Restraining force
Developments in manufacturing technology.	Driving force
The attitudes and behaviours of customers.	Driving force
The family members of the board of directors.	Restraining force



**Section: (none)**

**Explanation**

**Explanation/Reference:**

Explanation:

#### QUESTION 60

JJJ is a publically quoted advertising agency. JJJ's competitive advantage is based on the expertise of its staff and its reputation in digital media advertising. JJJ has robust systems to protect its intellectual property. These include patents and copyrights. JJJ has also restricted access for most of its staff to its most sensitive data, such as studies of its customers' profitability.

JJJ's new Managing Director, Z, is concerned that when staff leave JJJ, the company loses whatever tacit knowledge they possess. These losses also impact on JJJ's reported profits. In order to remedy the losses of knowledge and the reduced profits Z wants to introduce a knowledge management strategy.

Which of the following steps support the introduction of a knowledge management strategy? (Choose all that apply.)

- A. Z should set a target for reported profit.
- B. JJJ needs to acquire and install appropriate hardware and software.
- C. JJJ should unfreeze current habits and standard operating procedures.
- D. JJJ should convince staff of the benefits of sharing their tacit knowledge.
- E. Z should gain the support of the Board of Directors.
- F. JJJ should integrate knowledge management and management accounting.

**Correct Answer:** DEF

**Section: (none)**

**Explanation**

**Explanation/Reference:**