

DUMPS ARENA

Fundamentals of Business Economics

Cima BA1

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QUESTION NO: 1

Which one of the following would lead to a fall (depreciation) in the exchange rate for a country's currency?

- A. A fall in interest rates in that country
- B. An inflation rate below that of the country's trading partners
- C. A fall in that country's imports
- D. A fall in the export of capital from that country

ANSWER: A**QUESTION NO: 2**

Brilliant Buys Local is a subsidiary of Brilliant Buys, and operates a number of smaller stores in local neighbourhoods.

The managing director of Brilliant Buys Local, Mr Davidson, has been given a scatter diagram with sales of each store based on the size of the local population.

Which of the following options outlines the best ways to interpret this diagram in this context? Select ALL that apply.

- A. Use Pearson's coefficient to accurately draw a line of best fit
- B. Draw a line of best fit by eye and estimate how much of a correlation there is between store sales and population
- C. Rearrange the data points on the scatter diagram so that it shows any correlation more clearly
- D. Use the diagram to interpret that two of the stores with the highest sales are in areas with a medium-sized population
- E. Use the diagram to interpret that the store with the lowest sales was in an area with a population of 5000

ANSWER: A B**QUESTION NO: 3**

In the short run, which of the following would result from a depreciation of the country's exchange rate?

- (i). Increased competitiveness of the country's exports
- (ii). Increased quality competitiveness of the country's imports (iii). A worsening of the country's terms of trade
- (iv). Increased energy and raw material costs for the country's manufacturing firms

- A. (i) and (ii) only
- B. (ii) and (iv) only
- C. (iii) and (iv) only
- D. (i), (iii) and (iv) only

ANSWER: D

QUESTION NO: 4

Which ONE of the following is an External stakeholder in a state-owned energy provider?

- A. The industry regulator
- B. A firm selling equipment to the energy provider
- C. Customers of the energy provider
- D. The government

ANSWER: A

QUESTION NO: 5

TrowPlan Ltd. is planning on growing their business through expanding their real estate holdings. In order to do this, they have taken out a bank loan of £2 million. This loan is to be repaid by TrowPlan Ltd. over a period of

14 years with an interest rate of 10%. However, there are rumours of recession in the banking sector, and the economic uncertainty caused by Britain's vote to leave the EU continues to decrease the value of pound

sterling.

In these circumstances, which of these options would be the least suitable course of action for TrowPlan Ltd. to take?

Select ALL that apply.

- A. Take out the loan without any guarantee or security so as to see whether interest rates lower in the near future
- B. Take out an interest rate guarantee and wait until the economic situation becomes clearer before taking out a Forward Rate Agreement
- C. Take out a Forward Rate Agreement to fix the interest rate repayable on the £2 million loan
- D. Take out an interest rate option and wait to buy an interest rate future until the economic situation becomes clearer

E. Buy an interest rate future in order to fix the interest rate repayable on the £2 million loan

ANSWER: A B

QUESTION NO: 6

If the demand curve for good A is negatively sloped, a fall in the price of a substitute good B results in

- A. An increase in the quantity demanded of good A
- B. A rightward shift in the demand curve for good A
- C. A leftward shift in the demand curve for good B
- D. A leftward shift in the demand curve for good A

ANSWER: D

QUESTION NO: 7

Company X is a wholesaler. It sells the majority of its products in bulk to a small number of restaurants and cafes in the local area.

Which of the following will Company X experience in light of this? Select ALL that apply.

- A. A reduction in distribution costs as a result of economies of scale
- B. A reduction in the number of staff needed to perform certain roles within the company
- C. The company will not be able to buy in bulk at a discount in the future
- D. The company will not be able to maximise efficiency due to rapid business growth
- E. It will not experience the benefits of economies of scale

ANSWER: A B

QUESTION NO: 8

The management of Pennyfarthing's Toy Bazaar requires financial advice, but is unsure of which type of bank to approach to acquire this. The company receives a profit of £1,000,000 a year, and currently operates in

Europe and North America.

Which of the following reasons explains why Pennyfarthings Toy Bazaar should use a wholesale bank?

- A. It has a profit of £100,000
- B. It has international operations
- C. It uses the Alternative Investment Market
- D. It has issued new shares to members of the public
- E. It is a medium-sized business

ANSWER: A B

QUESTION NO: 9

Which TWO of the following policy actions might be available to a government that wishes to reduce a deficit in the balance of payments?

- A. Devalue the exchange rate in order to increase exports.
- B. Increase the money supply in order to stimulate domestic consumption.
- C. Appreciate the exchange rate in order to reduce imports.
- D. Reduce the interest rate in order to stimulate investment.
- E. Introduce tariffs on imported goods in order to favour domestic producers.

ANSWER: A D

QUESTION NO: 10

VapNat, an e-cigarette store, has experienced a steep decline in sales over the past six months, despite the economy in general performing well.

Which of the following are most likely to have contributed to such a decline? Select ALL that apply.

- A. Social factors
- B. Technological factors
- C. Legal factors
- D. Environmental factors
- E. Political factors

F. Economic factors

ANSWER: A B C

QUESTION NO: 11

The interest rate at TrowBank is currently running at 7%. The number of customers borrowing to invest has fallen drastically.

Which of the following explains why this is the case? Select ALL that apply.

- A. The high interest rate means that it is more expensive to borrow to invest
- B. Many customers have decided to save rather than invest due to the high interest rate
- C. The high interest rate means customers are less confident about investing
- D. The high interest rate has caused prices to rise, meaning customers have not got enough disposable cash to make investments
- E. The high interest rate has resulted in customers' purchasing power decreasing

ANSWER: A B

QUESTION NO: 12

Which of the following statements about supply-side economics is correct?

- A. Supply-side policies are part of aggregate demand management policies.
- B. Fiscal policy cannot be used as a part of supply-side policy
- C. Supply-side economists always reject the use of policy to expand demand
- D. Supply-side policies are used to improve the economy's efficiency and competitiveness

ANSWER: D

QUESTION NO: 13

Golden Crisp Cereals has calculated that its demand price elasticity is -1.4. It wants to expand in order to produce more cereal and hence increase its sales.

Which of the following are ways in which Golden Crisp Cereals could expand in the short run? Select ALL that apply.

- A. Lease cereal-producing equipment at a fixed price for the next six months
- B. Lease a small factory at a fixed price in order to increase production capacity
- C. Construct a new factory, increasing both staff within the business and the company's production capacity
- D. Invest in research and development so as to perfect the cereal-making process and maintain the company's position as a market leader
- E. Build a long-term marketing strategy involving social media to boost product awareness and hence sales

ANSWER: A B

QUESTION NO: 14

Which of the following is correct regarding data?

Data can be recorded as:

- (1) numbers.
 - (2) symbols.
 - (3) raw facts.
- A. (1)only
 - B. (3) only
 - C. (1)and
 - D. (1),(2)and(3)

ANSWER: D

QUESTION NO: 15

Which of the following sets of conditions will lead to greater stability (or convergence) of prices in the Cobweb model (or Cobweb theorem)?

- A. Price elastic demand, price inelastic supply
- B. Price inelastic demand, price elastic supply
- C. Price elastic demand, price elastic supply

D. Price inelastic demand, price inelastic supply

ANSWER: A

QUESTION NO: 16

If a firm wishes to maximize market share without incurring a loss, it should set its price where

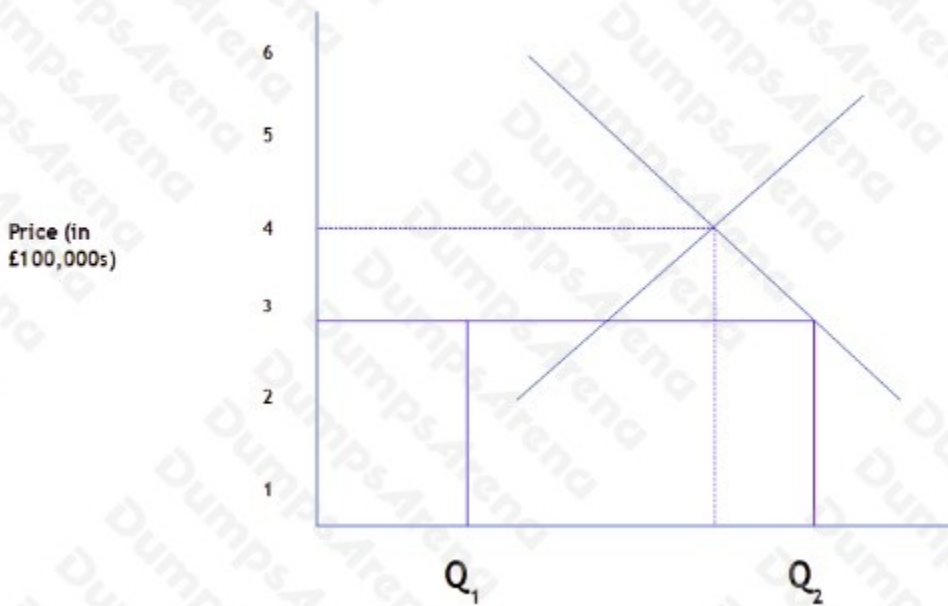
- A. Marginal revenue is zero
- B. Marginal revenue equals marginal cost
- C. Price equals marginal revenue
- D. Total cost equals total revenue

ANSWER: D

QUESTION NO: 17

The government has set a maximum house price due to a massive house price rise in the last decade. This is denoted by the line Q1Q2 on the graph.

House prices in Lingford



Which of the following may occur in light of the introduction of the maximum house price as it appears on the graph?

Select ALL that apply.

- A. There will be a shortage of housing supply in Lingford.
- B. A 'black market' may develop in housing, meaning the maximum price is ignored.
- C. There will be a surplus of housing supply in Lingford.
- D. Landowners will continue to build residential properties at the same rate as before the maximum price was implemented.
- E. It is not likely that the maximum house price will need some sort of reform in the near future.

ANSWER: A B

QUESTION NO: 18

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

ANSWER: A

QUESTION NO: 19

Which THREE of the following constitute injections into the circular flow of income?

- A. Savings
- B. Exports
- C. Government expenditure
- D. Investment
- E. Imports
- F. Taxation

ANSWER: A E F

QUESTION NO: 20

All of the following statements about a firm's total revenue curve are true except which ONE?

- A. Because the price of a product falls as more is supplied to the market the curve is not a straight line
- B. Price elasticity of demand for the product = 1 at the highest point of the curve
- C. If price of the product rose the curve would pivot upwards

D. The curve would be a horizontal straight line if demand for the product were perfectly price elastic

ANSWER: D