Question: 1

Which of the following best describes the conflict between maximising profit and maximising shareholder wealth?

A. Managers are generally more interested in maximising shareholder wealth than in maximising profits or sales.
B. Profit and shareholder wealth are unrelated.
C. Tax is paid on profit, but not on shareholder wealth.
D. Profits can be increased from one year to the next without increasing shareholder wealth.

Answer: D

Question: 2

DRAG DROP
Match the descriptions shown in the boxes below with the method of quantifying risk exposure it best describes.

Can be used to measure a company's exposure to various risk factors at the same time.		Simulation analysis
Can be used to evaluate the sensitivity of the value of a company, or its cash flows, to a variety of risk factors.		Value at risk
Can be used to calculate the maximum loss on a portfolio occurring within a period of time with a given probability.		Regression analysis
Can be used when statistical estimates are available for the probablilities of different outcomes, and the value for each outcome, risk can be measured as the likely value of gain or loss.		Expected value of risk

Answer:

Can be used to measure a company's exposure to various risk factors at the same time.	Regression analysis	Simulation analysis
Can be used to evaluate the sensitivity of the value of a company, or its cash flows, to a variety of risk factors.	Simulation analysis	Value at risk
Can be used to calculate the maximum loss on a portfolio occurring within a period of time with a given probability.	Value at risk	Regression analysis
Can be used when statistical estimates are available for the probablilities of different outcomes, and the value for each outcome, risk can be measured as the likely value of gain or loss.	Expected value of risk	Expected value of risk

Question: 3

Under the COSO Enterprise Risk Management Framework, who is responsible for risk management?

A. Every member of the entity.

B. The board of directors only.
C. Managers and directors only.
D. The shareholders.

Answer: A

Question: 4

Which of the following are the Committee of Sponsoring Organisations (COSO) key principles of enterprise risk management?
Select ALL that apply.

A. Consideration of the main risk only which is financial risk
B. The creation of a risk aware culture
C. Risk management is the responsibility of the risk committee
D. Consideration of risk management in the context of business strategy
E. A comprehensive and holistic approach to risk management

Answer: B D E

Question: 5

Which risks should be given the highest priority?

A. Risks which have a high impact and have a low likelihood of arising.
B. Risks which have a low impact but which arise frequently.
C. Risks which have a low impact and a low likelihood of arising.
D. Risks which have a high impact and which may arise occasionally.

Answer: D

Question: 6

Which of the following is the major advantage of Cloud storage for an enterprise?

A. It provides unlimited free use for the enterprise
B. The enterprise has complete control over it
C. in-house staff are not required to maintain the infrastructure
D. Sharing storage space with others

Answer: C

Question: 7

Which TWO of the following scenarios should be considered in strategic scenario planning by a publishing company that specialises in academic textbooks?

A. There could be a change in the technology used by consumers, such as smaller mobile phones with smaller screens
B. Budget changes could have an impact on the funding available to college and university libraries
C. The terms offered by media companies for film rights for books could change
D. The quality of output from printing presses might improve
E. Environmental concerns could lead to a decrease in the availability of trees to make paper

Answer: B C

Question: 8

SDF is a quoted company. Which of the following matters should normally be dealt with by SDF's audit committee?

A. The external auditor has requested a higher fee than normal for the forthcoming financial year because new legislation will require additional audit work.
B. The Head of Internal Audit is concerned that a recent internal audit investigation may have revealed serious compliance failures.
C. The external auditor is concerned that an accounting policy selected by the Finance Director does not comply with the spirit of the relevant accounting standard.
D. The external auditor has identified a material error, due to a clear miscalculation, in the draft financial statements.
E. The Finance Director will be retiring within the next year and a replacement will have to be found.

Answer: ABC

Question: 9

A UK based company is considering an investment of GB£1,000,000 in a project in the USA. It is anticipated that the following cash flows will arise from this project.
The cash flows will be either US$400,000 with a probability of 40% or US$700,000 with a probability of 60% for each of the next three years; remitted to the UK at the end of each year.
Currendy GB£1.00 is worth US$1.30.
The expected inflation rates in the two countries over the next four years are 2% in the UK and 4% in the US.
Applying the Purchasing Power Parity Theory, which of the following represents the expected net

present value of the project in GP£ (to the nearest whole pound)?

A. GB£287.639
B. GB£391,640
C. GB£(111,973)
D. GB£554,047

Answer: A

Question: 10

H Ltd is a company providing postal and courier services to small businesses. Customers pay a monthly or annual subscription fee to use the service, plus a very small fee for each item delivered.
A year ago, H employed a new sales team. Their remuneration is dependent on the number of new customers they sign up. Sales increased dramatically in the first six months, but now difficulties are emerging such as new customers dropping their subscription once the initial period has expired; subscriber direct debits being returned unpaid; subscribers going out of business and other similar issues. Which of the following would be appropriate to help resolve these problems?

A. Alter the pricing structure in order to increase the price for sending each item but decrease the subscription element of the fee.
B. Ensure that a credit check is carried out before a subscriber is accepted.
C. Reduce the rate of commission payable to any sales person who fails to sign up at least an agreed minimum number of customers each month.
D. Alter the commission arrangements so that commission is payable only when the subscriber signs up for a second year.
E. Preparing a monthly report for sales persons detailing the performance of each new customer they have signed up over the previous year.

Answer: B D E