

CIMA Practice Test Questions and Answers

1. What is 'residual risk'?

- A) The total risk before any controls are applied
- B) The risk that remains after controls and mitigation measures have been applied
- C) The risk transferred to a third party through insurance
- D) The risk identified but not yet acted upon

2. The term 'budgetary slack' refers to the:

- A) Lead time between the preparation of the functional budgets and the approval of the master budget by senior management
- B) Difference between the budgeted output and the actual output
- C) Difference between budgeted capacity utilization and full capacity
- D) Intentional overestimation of costs and/or under-estimation of revenue in a budget

3. What does a company's 'gearing ratio' measure?

- A) The proportion of debt to total capital or equity in the capital structure
- B) The efficiency of asset utilization
- C) The ratio of fixed costs to variable costs
- D) The return generated on total assets employed

4. What is 'vicarious liability' in business law?

- A) Personal liability of directors for company debts
- B) The liability of an employer for the wrongful acts of employees committed in the course of their employment
- C) The liability of shareholders for corporate decisions
- D) The liability of auditors for financial statement errors

Answers: 1-B 2-D 3-A 4-B

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