LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **ACCOUNTING AND FINANCE**

FOURTH SEMESTER – **APRIL 2025**

UAF 4502 – STRATEGIC FINANCIAL MANAGEMENT - II

Date: 23-04-2025 Dept. No. Max. : 100 Marks

Time: 09:00 AM - 12:00 PM

PART – A

Q. No	**Answer ALL Multiple Choice Questions** **(70 x1 = 70 Marks)**

1 A company is evaluating a risky business opportunity that would require $1,000,000 in fixed costs. Variable cost per unit is $45 and the selling price per unit is $195. The company's effective income tax rate is 20%. In order to achieve an expected after-tax profit of $1,600,000, the number of units the company will need to sell is

A	10,667.	C	17,334.
B	13,334.	D	20,000.

2 A company produces and sells 2,000 units of finished goods and incurs $60,000 of fixed costs annually. The contribution margin is $60 per unit, and variable cost is $40 per unit. If the company expects sales quantities to increase by 10% next year, the operating profit will be

A	$120,000.	C	$72,000.
B	$60,000.	D	$132,000.

3 The most likely strategy to reduce the breakeven point would be to

A	Increase both the fixed costs and the contribution margin.	C	Decrease the fixed costs and increase the contribution margin.
B	Decrease both the fixed costs and the contribution margin.	D	Increase the fixed costs and decrease the contribution margin.

4 Austin Manufacturing, which is subject to a 40% income tax rate, had the following operating data for the period just ended.

Selling price per unit	$60
Variable cost per unit	$22
Fixed costs	$504,000

Management plans to improve the quality of its sole product by (1) replacing a component that costs $3.50 with a higher-grade unit that costs $5.50, and (2) acquiring a $180,000 packing machine. Austin will depreciate the machine over a 10-year life with no estimated salvage value by the straight-line method of depreciation. If the company wants to earn after-tax income of $172,800 in the upcoming period, it must sell

A	19,300 units.	C	22,500 units.
B	21,316 units.	D	23,800 units

5 TRI-IT is considering the replacement of an existing machine with a newer model. The following information has been collected by the managers.

Cost	Old Machine	New Machine
Direct materials	$40,000	$50,000
Direct labor	30,000	30,000
Variable overhead	15,000	12,000
Supervisor\'s salary	45,000	45,000

Which of the costs are relevant in the decision as to whether the new machine should be acquired?

	A	Direct materials only.	C	Direct materials, variable overhead, and direct labor.
	B	Direct materials and variable overhead.	D	Direct materials, variable overhead, direct labor, and the supervisor's salary

6 Bruce Inc. has the following information about Rut, the only product it sells:

- The selling price for each unit is $20.
- The total variable cost per unit is $8.
- Total fixed cost for the firm is $60,000.
- The firm's current tax rate is 25%.

Bruce has budgeted sales of $130,000 for the next period. What is the margin of safety in dollars for Bruce?

A	$30,000.	C	$100,000.
B	$70,000.	D	$130,000.

7 A company currently sells 46,000 units of its product annually at a sales price of $38 per unit. Variable costs per unit total $21 and the total fixed costs each year are $749,000. Fixed costs include the annual salary of three sales staff, which is $55,000 each. Management is considering changing the sales staff's compensation. Under this proposal, sales staff salaries would decrease to $25,000, but sales staff would also receive a commission of $2 per unit for each unit sold. Management estimates this option will increase sales 10%. Should management change to the commission-based plan, and why?

A	Yes, because it will increase operating income by $67,000.	C	No, because it will decrease net income by $23,000.
B	Yes, because it will increase net income by $67,000.	D	No, because it will decrease operating income by $23,000.

8 Which of the following would not be considered a traceable cost?

A	The depreciation of equipment used for only one type of product.	C	Labor used to convert raw material to finished goods.
B	The cost of a technician to repair multiple machines used in the production of multiple products.	D	Material used in the finished goods.

9 During 20X5, Thor Lab supplied a hospital with a comprehensive diagnostic kit for $120 with a volume of 80,000 kits. Thor had fixed cost of $1,000,000 and a profit before income taxes of $200,000. Due to an adverse legal decision, Thor's 20X6 liability insurance increased by $1,200,000 over 20X5. Assuming the volume and other costs are unchanged, what should the 20X6 price be if Thor is to make the same $200,000 profit before income taxes?

A	$120.00	C	$150.00
B	$135.00	D	$240.00

10 A company is considering outsourcing one of the component parts for its product. The company currently makes 10,000 parts per month. Current costs are as follows:-

Particulars	Per unit	Total
Direct materials	$4	$40,000
Direct labor	3	30,000
Fixed plant facility cost	2	20,000

The company decides to purchase the part for $8 per unit from another supplier and rents its idle capacity for $5,000/month. How will the company's monthly costs change?

A	Decrease $15,000.	C	Increase $5,000.
B	Decrease $10,000.	D	Increase $10,000.

11 A company currently sells 6,000 units per month and has received a special order from an international customer. The international customer would like to purchase 1,500 units for a price of $80 per unit. The company currently sells the product to regular customers for $95 per unit. The company has excess capacity to produce the special order. The product unit cost is shown below.

Direct materials	$49.50
Direct labor	16.50
Variable overhead	9.50
Fixed overhead	3.50

Fixed manufacturing overhead totals $35,000 per month. Management has determined that the additional shipping costs for the international delivery would be $4 per unit. Should the company accept the special order?

A	No, because operating income will decrease by $21,000.	C	Yes, because operating income will increase by $6,750.
B	Yes, because operating income will increase by $750.	D	No, because operating income will decrease by $4,500.

12 Johnson waits two hours in line to buy a ticket to an NCAA Final Four Tournament. The opportunity cost of buying the $200 ticket is

A	Johnson's best alternative use of the $200.	C	the value of the $200 to the ticket agent.
B	Johnson's best alternative use of the two hours it took to wait in line	D	Johnson's best alternative use of both the $200 and the two hours spent in line.

13 The loss of a key customer has temporarily caused Bedford Machining to have some excess manufacturing capacity. Bedford is considering the acceptance of a special order, one that involves Bedford's most popular product. Consider the following types of costs.

I. Variable costs of the product.
II. Fixed costs of the product.
III. Direct fixed costs associated with the order.
IV. Opportunity cost of the temporarily idle capacity.

Which one of the following combinations of cost types should be considered in the special order acceptance decision?

A	I and II	C	II and II
B	I and IV	D	I, III, and IV

14 Sunshine Corporation is considering the purchase of a new machine for $800,000. The machine is capable of producing 1.6 million units of product over its useful life. The manufacturer's engineering specifications state that the machine-related cost of producing each unit of product should be $.50. Sunshine's total anticipated demand over the asset's useful life is 1.2 million units. The average cost of materials and labor for each unit is $.40. In considering whether to buy the new machine, would you recommend that Sunshine use the manufacturer's engineering specification of machine-related unit production cost?

A	No, the machine-related cost of producing each unit is $2.00	C	No, the machine-related cost of producing each unit is $.90
B	No, the machine-related cost of producing each unit is $.67	D	Yes, the machine-related cost of producing each unit is $.50

15 In a make-versus-buy decision, relevant costs include variable manufacturing costs as well as

A	factory management costs.	C	avoidable fixed costs.
B	general office costs.	D	depreciation costs.

16 KCollins Corp. produces equipment for parks and playgrounds for children, including backstops for baseball fields. KCollins Corp. receives a first-time, one-time request for 500 backstops from the city of Cincinnati.

The selling price and the costs associated with the backstops are:

Selling price		$ 250
Costs		
Direct materials	$90	
Direct labor	25	

Variable manufacturing overhead	18	
Fixed manufacturing overhead	30	
Variable selling costs (shipping)	4	
Fixed selling costs	15	(182)
Operating profit		$68

Currently KCollins has sufficient capacity to produce this order without having to reduce production of any other items. The minimum price per backstop that KCollins would charge Cincinnati for this order is:

A	$68	C	$137
B	$133	D	$182

17 Johnson Company manufactures a variety of shoes, and has received a special one-time-only order directly from a wholesaler. Johnson has sufficient idle capacity to accept the special order to manufacture 15,000 pairs of sneakers at a price of $7.50 per pair. Johnson's normal selling price is $11.50 per pair of sneakers. Variable manufacturing costs are $5.00 per pair and fixed manufacturing costs are $3.00 a pair. Johnson's variable selling expense for its normal line of sneakers is $1.00 per pair. What would the effect on Johnson's operating income be if the company accepted the special order?

A	Decrease by $60,000	C	Increase by $37,500
B	Increase by $22,500	D	Increase by $52,500

18 Cohasset Company currently manufactures all component parts used in the manufacture of various hand tools. A handle is used in three different tools. The unit cost budget for 20,000 handles is

Direct material	$ 0.60
Direct labor	0.40
Variable overhead	0.10
Fixed overhead	0.20
Total unit cost	$1.30

R&M Steel has offered to supply 20,000 handles to Cohasset for $1.25 each, delivered. If Cohasset currently has idle capacity that cannot be used, accepting the offer will

A	Decrease the handle unit cost by $0.05.	C	Decrease the handle unit cost by $0.15.
B	Increase the handle unit cost by $0.15.	D	Increase the handle unit cost by $0.05.

19 Brands, products and technologies all have life cycles. If the marketing objective of a company is to maximize profit while at the same time to defend its market share, a product manager would do all of the following except

A	look for new market segments.	C	look at launching a new advertising campaign.
B	look for ways to increase total consumption of the product.	D	look for ways to reduce expenditures and "milk" the brand

20 A company has multiple internal divisions. If the company uses target pricing to set its prices, which of the following types of information will be relevant to the company in its decision process?

I.	Competitors' prices
II.	Projected sales at the target price
III.	Competitors' costs
IV.	Target operating income
V.	Actual cost estimates

	A	I, II, and IV	C	I, II, IV, and V	
	B	I, II, III, and V	D	II, III, and IV	
21	Demand curve for medicines that have few substitutes and the patient needs them no matter the cost is best explained as:				
	A	Inelastic.	C	Perfectly inelastic.	
	B	Elastic.	D	Perfectly elastic.	
22	Which act makes collusive pricing illegal in the U.S.?				
	A	Clayton Act	C	Sherman Act	
	B	Robinson-Patman Act	D	Federal Trade Commission Act	
23	A factor is said to have a direct relationship with the supply curve if an increase in the factor causes:				
	A	A leftward shift of the supply curve.	C	A movement along the existing supply curve.	
	B	An upward shift of the supply curve.	D	A rightward shift of the supply curve.	
24	If the pastry shop has increased its price for a brioche from \$2 to \$2.30, what would a price elasticity of 1.9 imply about the quantity of these brioches sold? (Use the midpoint method of calculating price elasticity of demand.)				
	A	Demand for the brioches is inelastic, so price changes do not affect quantity.	C	Given the relatively elastic demand, the percentage change in quantity using the midpoint method is 7.3.	
	B	Given the relatively elastic demand, the percentage change in quantity using the midpoint method is 26.5.	D	This change in price of the brioche would imply an increase in the quantity sold.	
25	Under which international organization's rules is dumping considered illegal, especially when it causes material injury to an industry in the importing country?				
	A	World Economic Forum (WEF)	C	World Trade Organization (WTO)	
	B	United Nations (UN)	D	International Monetary Fund (IMF)	
26	With respect to a given risk, an expected loss is				
	A	a loss that management knows will occur.	C	an amount that management expects to be lost per year on average over a period of several years.	
	B	the amount that management thinks could be lost to the risk in a very bad year.	D	the amount expected to be lost every year to that risk.	
27	Which of the following is a benefit of enterprise risk management (ERM)?				
	A	It reduces performance variability.	C	It is proactive in identifying business risks.	
	B	It eliminates entity-wide risks.	D	It reduces the total compliance cost.	
28	Riverfront Properties new apartment building was almost complete. There were a few inspections left to pass, and they did not have a certificate of occupancy. However, the owner felt that they were close enough that he allowed new tenants to begin moving in. The risk that the owner has created in this situation is best described as				
	A	Operational risk because the owner was not in compliance with laws and regulations.	C	Strategic risk because the remaining inspections could determine that the building is uninhabitable.	
	B	Strategic risk because the owner was not in compliance with laws and regulations	D	Operational risk because the remaining inspections could determine that the building is uninhabitable.	
29	According to the 2017 COSO publication, Enterprise Risk Management: Integrating with Strategy and Performance, what is the purpose of enterprise risk management?				
	A	Strategy and objective setting.	C	Assessment of risk.	
	B	The management of risk in increasing the firm's value.	D	To eliminate risk segment by segment.	
30	Which one of the following would be classified as a political risk?				

	A	Discriminatory regulations, such as higher taxes, higher utility charges, or requirements to pay higher wages in comparison to local companies.	C	A risk of theft when operating in a high-crime-rate country.
	B	Exposure to a difference between the functional currency and the parent company's reporting currency.	D	A downturn in the global economy.
31	Identify the principle which is the primary step in the Performance component which is done after formulating business objectives			
	A	The organization identifies risk that impacts the performance of strategy and business objectives.	C	The organization pursues improvement of enterprise risk management.
	B	The organization considers risk while establishing the business objectives at various levels that align and support strategy.	D	The organization leverages the entity’s information and technology systems to support enterprise risk management
32	According to the 2017 COSO publication, Enterprise Risk Management: Integrating with Strategy and Performance, when should enterprise risk management take place?			
	A	Immediately after the organization's strategies and objectives have been set for the coming period.	C	At the same time as the organization's strategies and objectives are being set for the coming period and on an ongoing basis.
	B	Before the organization's strategies and objectives are set for the coming period.	D	At the same time as the organization's strategies and objectives are being set for the coming period
33	The primary reason that a bank would maintain a separate compliance function is to:			
	A	Better manage perceived high risks.	C	Ensure the independence of line and senior management.
	B	Strengthen controls over the bank’s investments.	D	Better respond to shareholder expectations.
34	The measure that provides a quantitative assessment of the accuracy of potential financial loss is:			
	A	Residual risk.	C	Risk ranking.
	B	Inherent risk.	D	Value at risk.
35	According to COSO, which of the following is a compliance objective?			
	A	To maintain adequate staffing to keep overtime expense within budget.	C	To maintain material price variances within published guidelines.
	B	To maintain a safe level of carbon dioxide emissions during production.	D	To maintain accounting principles that conform to GAAP
36	In equipment-replacement decisions, which one of the following does not affect the decision-making process?			
	A	Original fair value of the old equipment.	C	Cost of the new equipment.
	B	Operating costs of the old equipment.	D	Current disposal price of the old equipment
37	The management of a company is considering how to invest $15 million. Possible internal investment choices are the following projects with similar risks.			

Project	Investment	Internal rate of return
A	$1,000,000	7%
B	$10,000,000	12%

C	$5,000,000	5%
D	$2,000,000	11%

The company can also invest up to $15 million into an external project in equivalent risk to the internal projects and earn 10%. How should the management of the company invest this $15 million in order to maximize value for the company?

A	$1 million in Project A, $5 million in Project C, and $9 million in an external investment.	C	$10 million in Project B, $2 million in Project D, and $3 million in an external investment.
B	$10 million in Project B and $5 million in Project C	D	$10 million in Project B and $5 million in an external investment

38 Which one of the following statements concerning cash flow determination for capital budgeting purposes is not correct?

A	Tax depreciation must be considered because it affects cash payments for taxes.	C	Book depreciation is relevant because it affects net income.
B	Sunk costs are not incremental flows and should not be included.	D	Net working capital changes should be included in cash flow forecasts.

39 Depreciation is incorporated explicitly in the discounted cash flow analysis of an investment proposal because it

A	is a cash inflow.	C	represents the initial cash outflow spread over the life of the investment.
B	is a cost of operations that cannot be avoided.	D	reduces the cash outlay for income taxes

40 In considering the payback period for three projects, Fly Corp. gathered the following data about cash flows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Project A	$(10,000)	$3,000	$3,000	$3,000	$3,000
Project B	(25,000)	15,000	15,000	(10,000)	15,000
Project C	(10,000)	5,000	5,000		

Which of the projects will achieve payback within three years?

A	Projects A, B and C.	C	Project B only.
B	Projects B and C.	D	Projects A and C

41 Yarrow Co. is considering the purchase of a new machine that costs $450,000. The new machine will generate net cash flow of $150,000 per year and net income of $100,000 per year for five years. Yarrow's desired rate of return is 6%. The present value factor for a five-year annuity of $1, discounted at 6%, is 4.212. The present value factor of $1, at compound interest of 6% due in five years, is 0.7473. What is the new machine's net present value?

A	$450,000	C	$181,800
B	$373,650	D	$110,475

42 Carl Corporation is considering a $1,000,000 investment that will have a three-year life. Working capital of $250,000 will be required at the beginning of the project. At the end of the project, the equipment will be sold for an estimated $400,000. Carl Corporation's required rate of return is 10%. The company expects annual cash flow of $400,000. Carl Corporation's tax rate is 40%. The equipment will be depreciated over a three-year period for tax purposes, and the depreciation rates for tax purposes (MACRS) are as follows:

Year	Depreciation rate
1	33.33%
2	44.45%
3	14.81%
4	7.41%

Present value factors are as follows:

Year	PV of $1	PV of an Annuity				
	10%	10%	11%	11%	12%	12%
1	.90909	.90909	.89286	.90909	.90909	.89286
2	.82645	81162	.79719	.73554	.71252	.69005
3	.75132	.73119	.71178	.48685	.44371	.40183
4	.68301	65873	.63552	.16986	.10245	.03735

What is the cash flow in the final year?

A	$568,880	C	$859,240
B	$699,240	D	$818,880

43 The management of a utility company is considering making a series of investments over the next five years to construct a new energy plant. Rather than commit to the full five-year investment schedule on day one, management wants to retain the flexibility in the timing and amount of each investment in order to take into consideration future business conditions at each stage of construction. Based on this information, which one of the following real options is the most appropriate for this situation?

A	Abandon	C	Expand
B	Delay	D	Scale back

44 A company invested $500,000 in a new project. The project is expected to yield annual incremental cash flows of $175,000 for 4 years. What is the approximate internal rate of return for this project?

A	10%.	C	35%
B	15%.	D	40%

45 All of the following would increase the present value of the incremental tax savings associated with the depreciation of an asset except a decrease in the

A	useful life of the asset.	C	discount rate
B	marginal income tax rate	D	salvage value of the asset.

46 Vortex Dynamics, a company specializing in renewable energy solutions, is evaluating the economic viability of a new wind turbine project. The project initially estimates a total cost of $50,000, anticipated to generate substantial cash inflows due to the growing demand for sustainable energy sources. Given the nature of large-scale engineering projects, Vortex Dynamics acknowledges that the actual project cost could vary.The finance team performs a sensitivity analysis to determine how changes in the initial cash outflow (project cost) could influence the project's NPV (Net Present Value). Assuming the cash inflows are constant at $12,000 annually over five years, and the discount rate is held steady at 8%, how would a 5% increase and a 5% decrease in the initial cash outflow affect the NPV of the wind turbine project?

A	A 5% increase in initial cash outflow would decrease the NPV, indicating the project is sensitive to cost overruns, while a 5% decrease would increase the NPV, making the project more financially attractive.	C	Both a 5% increase and a 5% decrease in initial cash outflow would have no effect on the NPV, indicating the project's robustness against financial variations.
B	A 5% increase in initial cash outflow would increase the NPV, suggesting the project benefits from higher initial investments.	D	A 5% decrease in initial cash outflow would decrease the NPV, revealing an unusual economic behavior where lower costs reduce profitability.

47 On January 1, Crane Company will acquire a new asset that costs $400,000 and is anticipated to have a salvage value of $30,000 at the end of 4 years. The new asset Qualifies as 3-year property under the Modified Accelerated Cost Recovery System (MACRS). Will replace an old asset that currently has a tax basis of $80,000 and can be sold now for $60,000.
Will continue to generate the same operating revenues as the old asset ($200,000 per year).
However, savings in operating costs will be experienced as follows:
A total of $120,000 in each of the first 3 years and $90,000 in the fourth year. Crane is subject to a 40% tax rate and rounds all computations to the nearest dollar.
Assume that any gain or loss affects the taxes paid at the end of the year in which it occurred.

The company uses the net present value method to analyze projects using the following factors and rates:

	Present Value of $1 at 14%	Present Value of $1 Annuity at 14%	MACRS
1	0.88	0.88	33%
2	0.77	1.65	45
3	0.68	2.33	15
4	0.59	2.92	7

The discounted net-of-tax amount that should be factored into Crane Company's analysis for the disposal transaction is

A	$45,760	C	$67,040
B	$60,000	D	$68,000

48 Innovatech Solutions, a company specializing in renewable energy technology, is evaluating the installation of new solar panel systems across multiple industrial sites. The project demands an upfront investment of $6,500. The expected cash inflows from energy savings are initially estimated at $7,200 per year. However, the project's duration and the timing of these inflows can vary due to changing regulatory environments and technology advancements.
The finance team at Innovatech Solutions is using sensitivity analysis to explore how variations in the project duration impact the NPV (Net Present Value). They are assessing the NPV changes under scenarios where the project's effective life either extends by 2 years or shortens by 2 years, keeping the discount rate constant at 8%.
Given this setup, how does a change in the project duration affect the NPV?

A	Extending the project duration by 2 years increases the NPV, indicating a positive correlation between project length and financial attractiveness.	C	Both extending and shortening the project duration by 2 years decrease the NPV, showing high sensitivity to the project timeline.
B	Shortening the project duration by 2 years increases the NPV, suggesting that the project is more beneficial over a shorter timeframe.	D	Extending the project duration by 2 years decreases the NPV, implying that longer projects are less financially viable.

49 Jetstream Aerospace, a pioneer in the aerospace industry, is contemplating a $45,000 investment in an advanced robotic arm to enhance the precision in their jet engine assembly line. The investment aims to improve assembly speed and reduce errors over a six-year horizon. The finance team at Jetstream Aerospace employs certainty equivalents to manage risk and a risk-free rate of 8% for evaluating the investment's feasibility. Below is the data detailing the anticipated annual cash inflows from increased assembly efficiency, the certainty equivalent factors representing the risk profile for each year, and the discount factors at a 8% risk-free rate derived from a present value table:

Year	Expected Cash Inflows	Certainty Equivalent	Discount Factor at 8%
1	$22,000	0.8	0.926
2	$18,000	0.85	0.857
3	$15,000	0.75	0.794
4	$12,000	0.7	0.735
5	$10,000	0.65	0.681
6	$6,000	0.6	0.63

What is the NPV of this investment?

A	$6,211	C	$6,100
B	$5,430	D	$7,316

50	Sensitivity analysis, if used with capital projects,				
	A	Is a technique used to rank capital expenditure requests.	C	Measures the change in the discounted cash flows when using the discounted payback method rather than the net present value method.	
	B	Is used extensively when cash flows are known with certainty	D	Is a "what-if" technique that asks how a given outcome will change if the original estimates of the capital budgeting model are changed.	
51	If the present value of expected cash inflows from a project equals the present value of expected cash outflows, the discount rate is the				
	A	payback rate	C	accounting rate of return.	
	B	internal rate of return	D	net present value rate	
52	Which of the following changes would cause a company's break-even point in sales to increase?				
	A	The company's contribution-margin rate increases.	C	The company's total fixed costs increases.	
	B	The company's variable cost per unit decreases.	D	The company's selling price per unit increases	
53	An organization's sales revenue is expected to be \$72,600, a 10% increase over last year. For the same period, total fixed costs of \$22,000 are expected to be the same as last year. If the number of units sold is expected to increase by 1,100, the marginal revenue per unit will be:				
	A	\$4	C	\$20	
	B	\$6	D	\$46	
54	A company attempts to achieve an annual after-tax operating profit of \$2,400,000 by selling a good for \$3,000 per unit. Production of the good involves fixed costs of \$15,000,000 and variable cost per unit of \$2,000. Assuming an average income tax rate of 40%, the volume (in units) required to produce the target amount of profit would be				
	A	15,000.	C	19,000.	
	B	16,440.	D	21,000.	
55	For the year just ended, Silverstone Company's sales revenue was \$450,000. Silverstone's fixed costs were \$120,000 and its variable costs amounted to \$270,000. For the current year sales are forecasted at \$500,000. If the fixed costs do not change, Silverstone's profits this year will be				
	A	A. \$60,000.	C	C. \$110,000.	
	B	B. \$80,000.	D	D. \$200,000.	
56	What does data ownership imply?				
	A	Companies have unrestricted control over collected data.	C	Government agencies own all data collected within a country.	
	B	Individuals have control over their personal data.	D	Data is considered public property.	
57	What is the main concern of data privacy?				
	A	Maximizing data collection for businesses.	C	Ensuring data is always encrypted.	
	B	Protecting personal information from unauthorized access.	D	Making data available to all employees.	
58	What should companies do to comply with data privacy regulations?				
	A	Sell personal data without consent.	C	Implement measures to protect personal information.	
	B	Ensure data is accessible to all employees.	D	Ignore data breach notifications.	
59	How does self-censorship manifest in groupthink?				
	A	By openly expressing dissent	C	By encouraging diverse viewpoints	
	B	By withholding criticism due to discomfort	D	By seeking out alternative ideas	

60	A values-based organizational culture				
	A	can provide an answer to any ethical dilemma an employee might face.	C	provides a framework for decision-making when an employee is confronted with an ethical dilemma.	
	B	can work only if all employees share the same values.	D	relies on documented policies and procedures covering every possible situation.	
61	Which of the following laws has an important impact on the ethical environment of a company?				
	A	Securities Act of 1933	C	Foreign Corrupt Practices Act (FCPA)	
	B	Regulation Fair Disclosure (FD)	D	Private Securities Litigation Reform Act of 1995	
62	How does the principle of transparency benefit consumers?				
	A	By making data collection more efficient.	C	By providing clear information about how their data is used.	
	B	By reducing the cost of data storage.	D	By ensuring their data is never collected.	
63	The basic core values of an organization that undergird all its actions and decisions include				
	A	code of conduct.	C	standards.	
	B	culture.	D	responsibility.	
64	Why is accountability important in data ethics?				
	A	To ensure companies can use data without restrictions.	C	To increase data collection efficiency.	
	B	To hold companies responsible for their data practices.	D	To reduce the cost of data storage.	
65	Which of the following is not a source of organizational principles, values, and norms that guide individual and group behavior in business?				
	A	Social media.	C	Organizational policy statements.	
	B	Legal systems.	D	Individuals.	
66	Which of the following best describes payroll fraud?				
	A	Creating fake employees in the payroll system	C	Using misleading advertising	
	B	Overstating net income	D	Returning stolen goods	
67	What is a common method used in accounts receivable fraud?				
	A	Skimming cash receipts	C	Creating fake suppliers	
	B	Writing off receivables as credit losses	D	Using misleading advertising	
68	Which action is an example of credit card fraud?				
	A	Using a company card for personal expenses	C	Using personal cards for business expenses	
	B	Paying off credit card balances on time	D	Reimbursing employees for legitimate expenses	
69	Which type of marketing fraud involves using exaggerated advertising claims?				
	A	Puffery	C	Income smoothing	
	B	False advertising	D	Expense reimbursement	
70	Which type of fraud involves creating fake suppliers and submitting fraudulent invoices for payment?				
	A	Fraudulent disbursements	C	Payroll fraud	
	B	Inventory theft	D	Loan-application fraud	
	PART – B				
	COMPULSORY QUESTIONS (2 x 15 = 30 Marks)				
71.	Marcel Company is a multi-billion dollar billion conglomerate with profit centers. If the division meets or exceeds earnings targets each year, the division manager receives a bonus. While division managers often have complete control over their division's operations, any capital expenditures exceeding $500,000 must be approved by the home office. Mr. All, the Central Division's division manager, was just hired. Mr. All's predecessor, who was ousted a year ago, was able to persuade the				

	home office to spend $700,000 in contemporary manufacturing equipment with a 5-year life expectancy. A customized packaging equipment costing $200,000 was included in the $700,000 expenditure. This packaging machine has a 5-year useful life and is depreciated using a straight-line method with a salvage value of $0. Mr. All has recently learnt learned about a new packaging procedure that will save the Central Division $60,000 per year in packaging costs over the equipment's 5-year life cycle. The current packing machine could be offered for $75,000 as a result of the adoption of new technologies. The new packaging process equipment would cost $210,000 to buy and install. The cost of capital for Central Division is 10%, and the effective income tax rate is 40%. The new equipment has no salvage value and is depreciated straight-line over five years. PV of an annuity @ 10% for 5 years --3.791 PV of an annuity @ 10% for 4 years –3.170 PV factors of 1$ @10% from year 1 to year 5 are: 0.909, 0.826, 0.751, 0.683 and 0.621 **Required:** A. Determine the present value of purchasing a new packaging technique. Make your computations visible. (9 marks) B. B. Should Marcel Company invest in innovative packaging technologies from a financial standpoint? Give your opinion. (6 marks) C. Identify and explain three non-financial or behavioural elements that could lead Mr. All to reconsider his earlier investment decision. (3 Marks)
72	Buckeye Grain, a corn and wheat processing company, has decided to introduce a new product that can be manufactured by either a capital-intensive method or a labor-intensive method. The method chosen will not affect the quality of the finished product. Estimated costs for the two methods are as follows

Particulars	Capital-intensive	Labor-intensive
Direct raw materials per unit	$10.00	$11.20
Direct labor ($24/hour) per unit	12.00	14.40
Variable overhead ($12/hour) per unit	6.00	9.60
Total fixed costs	$4,880,000	$2,640,000

Buckeye Grain sells the new product at $60 per unit during its initial stage of product life cycle. The incremental selling expenses are estimated to be $1,000,000 annually plus $4 for each unit sold, regardless of the manufacturing method. Fixed costs are all directly traceable incremental costs. When deciding which manufacturing method to use, the company's management team consider the operating leverage.

Required

A. Calculate the estimated breakeven point in annual unit sales of the new product if the company uses the capital-intensive manufacturing method and labor-intensive manufacturing method, respectively. Show your calculations. (3 marks)
B. Calculate the annual unit sales volume at which the company would be indifferent between the two manufacturing methods. Show your calculations. (4 marks)
C. Explain how the level of sales can affect the company's choice of manufacturing method. (3 marks)
D. Identify the four stages of the product life cycle. (2 marks)
E. Identify the pricing strategy that the company might use when the new product is in its second stage of the product life cycle. Explain your answer. (3 marks)

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