

ACCA Advanced Performance Management (APM) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	6
Answers	9
Explanations	11
Next Steps	17

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.

7. Use Other Tools

Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!

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Questions

- 1. What does the marginal revenue product of labor depend on in a perfectly competitive product and factor market?**
 - A. Marginal value of labor alone**
 - B. Only on the price of the output**
 - C. The marginal physical product of labor and the price of output**
 - D. The total cost of labor only**
- 2. What type of good does Ms. Peterson's blue cardigan sweater represent?**
 - A. Pure public good**
 - B. Pure private good**
 - C. Common resource**
 - D. Club good**
- 3. What is the relationship between the price of the product labor creates and the demand for that labor?**
 - A. Increasing product prices decrease labor demand**
 - B. There is no relationship**
 - C. Higher product prices increase demand for labor**
 - D. Lower product prices increase labor demand**
- 4. What type of tax requires all individuals to pay the same amount irrespective of their financial situation?**
 - A. Progressive tax**
 - B. Lump-sum tax**
 - C. Proportional tax**
 - D. Regressive tax**
- 5. At what output level will a firm operating under monopoly and perfect competition produce?**
 - A. Where MR equals price**
 - B. Where MR equals MC**
 - C. Where price equals ATC**
 - D. Where total revenue equals total cost**

- 6. For a commodity with a perfectly inelastic demand curve, what is the effect of an increase in the tax on that product?**
- A. Decrease in the price with no change in production**
 - B. No change in price but an increase in production costs**
 - C. Increase in the price with no change in production**
 - D. Decrease in both price and production**
- 7. If the government wants to promote saving over spending through taxation, what type of tax should it institute?**
- A. Income tax**
 - B. Property tax**
 - C. Sales tax**
 - D. Capital gains tax**
- 8. How can the government address underconsumption of products with positive externalities?**
- A. By taxing the product**
 - B. By providing subsidies to the producers**
 - C. By increasing consumer fees**
 - D. By selling exclusive rights to producers**
- 9. Which of the following will NOT cause a shift in the demand curve for oranges?**
- A. An increase in the price of apple juice.**
 - B. More people start drinking orange juice for breakfast.**
 - C. A decrease in the price of oranges.**
 - D. Excessive rain in northern Florida might decrease supply.**
- 10. Why is the American automobile industry classified as an oligopoly?**
- A. Low product differentiation**
 - B. Top firms control a minor market share**
 - C. High level of market concentration**
 - D. Availability of many substitutes**

Answers

1. C
2. B
3. C
4. B
5. B
6. C
7. C
8. B
9. C
10. C

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Explanations

1. What does the marginal revenue product of labor depend on in a perfectly competitive product and factor market?

- A. Marginal value of labor alone
- B. Only on the price of the output
- C. The marginal physical product of labor and the price of output**
- D. The total cost of labor only

The marginal revenue product of labor in a perfectly competitive product and factor market is defined as the additional revenue generated from employing one more unit of labor. It is determined by two key components: the marginal physical product of labor and the price of the output. The marginal physical product of labor refers to the additional amount of output produced by adding one more unit of labor. This relationship highlights the productivity of labor in the production process. On its own, the marginal physical product indicates how much more product can be generated with an additional worker. Now, the price of the output links this additional production to revenue. In a perfectly competitive market, firms are price takers, meaning they cannot influence the market price of their goods; they sell at the prevailing market price. Consequently, even if labor increases output substantially, the revenue gained from that output is directly influenced by how much the product can be sold for in the market. Combining these two components — the marginal physical product and the price of the output — provides the full picture of the marginal revenue product of labor. If either the productivity of the labor or the price of the output changes, the marginal revenue product will also change to reflect this new reality in the revenue generated per additional worker employed. This concept is crucial

2. What type of good does Ms. Peterson's blue cardigan sweater represent?

- A. Pure public good
- B. Pure private good**
- C. Common resource
- D. Club good

The blue cardigan sweater owned by Ms. Peterson exemplifies a pure private good because it has the characteristics of being both excludable and rivalrous. Excludability means that the sweater can be owned and its use can be restricted to the owner. Only Ms. Peterson can wear or utilize her blue cardigan, which demonstrates this feature. Rivalry indicates that when one person uses the good, it reduces the availability of that good for others. In this case, if Ms. Peterson wears the sweater, it cannot be worn by someone else simultaneously, illustrating the rivalrous nature of the good. In contrast, other types of goods such as pure public goods are non-excludable and non-rivalrous, meaning they can be consumed by everyone without diminishing their availability (e.g., national defense). Common resources are rivalrous but non-excludable (e.g., fish in the ocean), while club goods are excludable but non-rivalrous (e.g., subscription services). Since the cardigan sweater is personal property that directly satisfies individual needs and ownership, it clearly falls into the category of pure private goods.

3. What is the relationship between the price of the product labor creates and the demand for that labor?

- A. Increasing product prices decrease labor demand**
- B. There is no relationship**
- C. Higher product prices increase demand for labor**
- D. Lower product prices increase labor demand**

The relationship between the price of the product that labor creates and the demand for that labor is based on the principle of derived demand. When the price of a product increases, the revenue generated from that product also typically rises. This increased revenue allows businesses to justify hiring more labor to meet the higher demand for the product in the market. Consequently, as the price of the product goes up, companies are likely to increase their production levels, leading to a greater need for workers to produce that product. Conversely, if product prices fall, companies might reduce production, as the lower prices can lead to lower revenues and profits, resulting in a decreased demand for labor. Thus, the dynamics of product pricing directly influence labor demand, supporting the idea that higher product prices indeed increase the demand for labor.

4. What type of tax requires all individuals to pay the same amount irrespective of their financial situation?

- A. Progressive tax**
- B. Lump-sum tax**
- C. Proportional tax**
- D. Regressive tax**

A lump-sum tax is characterized by its requirement for individuals to pay the same fixed amount, regardless of their income or financial situation. This type of tax is not influenced by the taxpayer's ability to pay, which distinguishes it from other tax types that consider financial circumstances. In contrast, a progressive tax imposes higher rates on those with greater income levels, thereby reflecting individuals' ability to contribute based on their financial means. A proportional tax maintains a consistent rate across all income levels, meaning that as income increases, the total tax paid rises proportionally, which again takes into account varying financial situations. Lastly, a regressive tax affects lower-income individuals more heavily because it takes a larger percentage of their income compared to higher earners, contributing to inequality in tax burdens. Thus, the lump-sum tax stands out as the only tax type where every individual is obligated to pay the same amount, creating a flat rate system irrespective of income differences.

5. At what output level will a firm operating under monopoly and perfect competition produce?

A. Where MR equals price

B. Where MR equals MC

C. Where price equals ATC

D. Where total revenue equals total cost

A firm operating under both monopoly and perfect competition decides its output level by equating marginal revenue (MR) to marginal cost (MC). This is a fundamental principle of profit maximization in economics. When a firm seeks to maximize its profit, it will continue to increase production as long as the additional revenue generated from producing one more unit (MR) surpasses the cost of producing that additional unit (MC). In the case of a monopoly, where the firm has significant market power and faces a downward-sloping demand curve, MR will be less than the price due to the need to lower price on all units sold to sell one more unit. However, the firm will still set output at the level where MR equals MC to ensure profit maximization. In contrast, in a perfectly competitive market, firms are price takers, and MR equals the market price as they can sell as many units as they want at the prevailing market price. Here, the profit-maximizing condition remains the same: output is produced until MR equals MC. Options discussing where MR equals price or where total revenue equals total cost do not correctly represent the principle governing output decision-making in profit maximization under these market structures. Price equaling average total cost reflects a break

6. For a commodity with a perfectly inelastic demand curve, what is the effect of an increase in the tax on that product?

A. Decrease in the price with no change in production

B. No change in price but an increase in production costs

C. Increase in the price with no change in production

D. Decrease in both price and production

When dealing with a commodity that has a perfectly inelastic demand curve, consumers will continue to buy the same quantity regardless of price changes. This means that the quantity demanded remains constant even if the price increases. In this scenario, when a tax is imposed on the commodity, sellers will typically pass on the tax burden to consumers by increasing the price of the commodity. Since demand is perfectly inelastic, consumers will still purchase the same amount because they have no alternative options or substitutes. Therefore, the tax effectively leads to a price increase with no change in the quantity produced, as producers will not decrease production in response to a tax where demand remains fixed. This price increase reflects the additional cost imposed by the tax, and it directly translates to higher consumer expenses. As a result, production levels staying constant with the tax leads to the conclusion that the increase in price and stability in production are the most accurate outcomes when facing perfectly inelastic demand.

7. If the government wants to promote saving over spending through taxation, what type of tax should it institute?

- A. Income tax**
- B. Property tax**
- C. Sales tax**
- D. Capital gains tax**

To effectively promote saving over spending through taxation, a government would ideally implement a sales tax. Sales taxes are levied on consumer goods and services, directly taxing spending at the point of sale. By increasing the cost of consumption through a sales tax, individuals may be encouraged to save instead of spend, as purchases become more expensive. In contrast, income tax, property tax, and capital gains tax do not inherently incentivize saving; rather, they target different financial activities. Income tax reduces disposable income, but it doesn't specifically discourage spending. Property tax is based on ownership and value of property rather than spending choices, and while capital gains tax applies to returns on investments, it doesn't influence day-to-day spending behavior directly. Therefore, a sales tax creates a direct disincentive for immediate consumption and encourages individuals to prioritize saving.

8. How can the government address underconsumption of products with positive externalities?

- A. By taxing the product**
- B. By providing subsidies to the producers**
- C. By increasing consumer fees**
- D. By selling exclusive rights to producers**

The government can effectively address underconsumption of products with positive externalities by providing subsidies to the producers. Products with positive externalities are those that have beneficial effects on third parties who do not directly consume the good. This can lead to a market failure because the social benefits of consumption exceed the private benefits perceived by consumers, resulting in lower consumption levels than what is socially optimal. By offering subsidies to producers of these goods, the government reduces the cost of production, which can encourage an increase in supply. This, in turn, can help to lower prices for consumers, making the product more accessible and attractive to a larger pool of buyers. Additionally, as producers benefit from these subsidies, they may also invest in enhancing the quality or quantity of the product, further promoting consumption. In contrast, taxing the product, increasing consumer fees, or selling exclusive rights to producers would discourage consumption. Taxes and fees would raise the cost for consumers, while selling exclusive rights may limit the availability of the product, all of which would not address the issue of underconsumption effectively. By incentivizing production through subsidies, the government directly promotes the consumption of goods that generate positive externalities, ultimately leading to a better alignment between private and social benefits.

9. Which of the following will NOT cause a shift in the demand curve for oranges?

- A. An increase in the price of apple juice.**
- B. More people start drinking orange juice for breakfast.**
- C. A decrease in the price of oranges.**
- D. Excessive rain in northern Florida might decrease supply.**

A decrease in the price of oranges will not cause a shift in the demand curve; rather, it will lead to a movement along the demand curve. This is a fundamental concept in economics: a shift in the demand curve occurs due to changes in factors other than the price of the good itself. When the price of a good decreases, it typically results in an increase in the quantity demanded, represented as a movement down along the same demand curve. In contrast, events that affect consumers' tastes, preferences, or income, or substitute goods (like an increase in the price of apple juice) can shift the entire demand curve. For instance, if more people start drinking orange juice for breakfast, this indicates a shift in consumer behavior, ultimately increasing demand for oranges. Similarly, a rise in the price of a close substitute will encourage buyers to shift towards oranges, enhancing their demand. Additionally, while excessive rain affecting supply would alter the supply curve, it does not influence consumer behavior or willingness to pay, which are integral to shifting the demand curve. Thus, the decrease in the price does not affect the demand itself, making this understanding crucial in the study of economics.

10. Why is the American automobile industry classified as an oligopoly?

- A. Low product differentiation**
- B. Top firms control a minor market share**
- C. High level of market concentration**
- D. Availability of many substitutes**

The classification of the American automobile industry as an oligopoly is primarily due to the high level of market concentration. In an oligopolistic market structure, a small number of firms dominate the industry, and these firms hold a significant share of the market. The American automobile market is characterized by a few major players, such as Ford, General Motors, and Stellantis, which control a substantial portion of the total sales. This concentration allows these firms to influence prices, output, and overall market conditions significantly. In this environment, the actions of one firm can directly impact the decisions and strategies of others, leading to a situation where these companies may engage in non-price competition and strategic planning. Market concentration also means that new entrants find it challenging to compete due to existing brand loyalty, economies of scale, and substantial startup costs. Factors like low product differentiation or an abundance of substitutes do not apply as strongly to the oligopoly classification in this case. In fact, the automobile industry does have some product differentiation, primarily through design, performance, and branding, which allows firms to maintain their competitive edge despite the market concentration. Moreover, while numerous substitutes may exist, the degree to which they serve as direct competition in terms of consumer preference and market dynamics is limited when it

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://acca-advancedperformancemanagement.examzify.com>

We wish you the very best on your exam journey. You've got this!