100% Money Back Guarantee

Vendor:CIMA

Exam Code:CIMAPRA19-F02-1

Exam Name:F2 - Advanced Financial Reporting

Version: Demo

QUESTION 1

CORRECT TEXT

CD commenced a construction contract on 1 April 20X9. The contract value was agreed at $100,000. CD had incurred $40,000 costs to date and estimated costs to completion were $50,000. At the year ended 31 December 20X9 this

contract was estimated to be 60% complete. CD adopted the provisions of IAS 11 Construction Contracts when preparing its financial statements for the year to 31 December 20X9.

What value should be included in CD\\'s profit for the year ended 31 December 20X9 in respect of this contract?

Give your answer to the nearest whole number.

$?

A. 6000, 6

Correct Answer: A

QUESTION 2

JJ\\'s current share price is $1.80, with a dividend of $0.20 a share just about to be paid.

Dividends have increased at an average annual growth rate of 4.5% and this is expected to continue into the future.

What is JJ\\'s cost of equity?

A. 17.6%

B. 16.1%

C. 12.5%

D. 11.1%

Correct Answer: A

QUESTION 3

GH is seeking to finance a substantial new project that is guaranteed to enhance the profitability of the entity. Its key determinants in deciding upon the best source of finance are to balance the following requirements:

1) to minimise the costs of issue of the finance;

2) to avoid the need to find cash to repay the source of finance;

3) to ensure that the long-term gearing level does not increase.

Which of the following financing options best meets these requirements?

A. Convertible loan stocks

B. Initial public offering of ordinary shares

C. Redeemable preference shares

D. A term loan

Correct Answer: A

QUESTION 4

ST owns 75% of the equity share capital of GH. GH owns 80% of the equity share capital of RS.

The following balances relate to RS:

	At acquisition	At 31 December 20X9
	$	$
Share capital	100,000	100,000
Retained earnings	150,000	300,000
Total equity	250,000	400,000

The non controlling interest in respect of RS had a fair value of $56,000 at acquisition. There has been no impairment to goodwill since acquisition.

What value should be included in ST\\'s consolidated statement of financial position for the non controlling interest in RS at 31 December 20X9?

A. $116,000

B. $86,000

C. $93,500

D. $146,000

Correct Answer: A

QUESTION 5

Which TWO of the following are true for an entity raising equity finance using a rights issue rather than a placing of equity shares to new investors?

A. The administration is more complex and therefore likely to be more costly.

B. The shares will sell at a higher price and therefore generate more funds.

C. The voting rights of existing shareholders will be unaffected if the shareholders take up their rights.

D. The cost of underwriting will be lower because the risk of the issue is lower.

E. The issue will widen the base of shareholders if all shareholders take up their rights.

Correct Answer: AC

QUESTION 6

On 30 November 20X9 OPQ acquires a financial asset that is classified as Available for Sale.

Which of the following describes the value of the financial asset on the date of acquisition?

A. Fair value excluding transaction costs.

B. Fair value including transaction costs.

C. Present value including transaction costs.

D. Present value excluding transaction costs.

Correct Answer: B

QUESTION 7

CORRECT TEXT

The following information is extracted from the financial statements of RS for the year ended 30 June 20X7:

RS has no other liability balances and has no associate investments.

Calculate return on capital employed for RS at 30 June 20X7.

Give your answer to the nearest whole %.

? %

A. 20

Correct Answer: A

QUESTION 8

Mr D, a CIMA qualified accountant, is working on the preparation of a long term profit forecast required by the local stock market prior to a new share issue of equity shares. At the most recent board meeting the directors requested that the forecast be inflated. In Mr D\\'s view this would grossly overestimate the forecast profit. The board intends to publish the revised inflated forecast.

Which THREE of the following are the ethical options available to Mr D in this situation?

A. Consider resignation of his post as accountant.

B. Adjust the figures in line with the board\\'s request as this is a forecast and not the financial statements.

C. Discuss the situation with his line manager.

D. Consider reporting the situation to the appropriate authorities.

E. Delegate the work to a subordinate.

F. Submit the original forecast without the board\\'s approval.

Correct Answer: ACD

QUESTION 9

DE acquired 10% of the equity shares of KL on 31 December 20X2.

A further 50% of the equity shares of KL were acquired by DE on 1 January 20X4.

Which THREE of the following would be part of the process for recording the second purchase of shares?

A. The goodwill calculated at 31 December 20X2 being revalued at 1 January 20X4.

B. The 10% investment being revalued to fair value at 1 January 20X4.

C. Assets, liabilities, income and expenses being fully consolidated from 1 January 20X4.

D. Goodwill being calculated at 1 January 20X4 for the first time.

E. Net assets at 1 January 20X4 being compared to the purchase consideration and a transfer to equity made.

F. A 50% non controlling interest will be shown in the consolidated financial statements.

Correct Answer: BCD

QUESTION 10

The dividend yield of ST has fallen in the year to 31 May 20X5, compared to the previous year.

The share price on 31 May 20X4 was $4.50 and on 31 May 20X5 was $4.00. There were no issues of share capital during the year. Which of the following should explain the reduction in the dividend yield for the year to 31 May 20X5 compared to the previous year?

A. The dividend paid in the year was reduced in order to pay for new assets.

B. Surplus cash was used to pay a special dividend in addition to the normal dividend in the year.

C. The profit for the year fell significantly and the dividend per share stayed the same.

D. To compensate investors for the reduction in share price a higher dividend per share was paid.

Correct Answer: A

QUESTION 11

Following the impairment review of the investment in BC, what would be the carrying value of this associate in KL\\'s consolidated statement of financial position at 31 December 20X9?

A. $1,050,000

B. $1,240,000

C. $1,800,000

D. $1,960,000

Correct Answer: A

QUESTION 12

As at 31 October 20X7 TU\\'s financial statements show the entity having profit after tax of $600,000 and 900,000 $1 ordinary shares in issue. There have been no issues of shares during the year. At 31 October 20X7 TU have 300,000 share options in issue, which allow the holders to purchase ordinary shares at $2 a share in 3 years\\' time. The average price of the ordinary shares throughout the year was $5 a share.

What is the diluted earnings per share for the year ended 31 October 20X7?

A. 66.7 cents

B. 58.8 cents

C. 50.0 cents

D. 55.6 cents

Correct Answer: D