Free Questions for CIMAPRA19-F02-1 by dumpshq

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Question 1

Question Type: **MultipleChoice**

You are a Financial Controller at BCD and are in the process of preparing the year-end financial statements. A member of your finance team has come to see you about her provisions balance at year-end.

She says that the Managing Director has asked her to increase the provisions balance by $1 million overall. She thinks this is because BCD has had a very good year in terms of profit, and the Managing Director wants to put some profit aside to protect against any future reductions in profit. $1 million is material to BCD.

Youbelieve that the provisions balance wasfairly stated without the additional $1 million.

Which TWO of the following would be appropriate actions in this scenario?

Options:

A- Discuss the matter with the Finance Director as he is your immediate line manager.

B- Speak to the Managing Director to explain that the level of provisions is governed by financial reporting standards.

C- Tell the member of your finance team to ignore the Managing Director and to leave the provisions balance as it was.

D- Contact the external auditors of BCD and tell them that the Managing Director wants to change the provisions balance.

E- Speak to the shareholders at the upcoming annual general meeting about this issue.

Answer:

A, B

Question 2

Question Type: **MultipleChoice**

FG has a weighted average cost of capital of 12% based on its existing:

* level of gearing of 30% (measured as debt/(debt + equity)); and

* business operations.

This would be used as an appropriatediscount factor to assess which of the following significant projects?

Options:

A- A project in an industry in which FG does not currently operate, funded wholly by equity.

B- A project to extend FG's existing operations, funded wholly by debt.

C- A project in an industry in which FG does not currently operate, funded 30% with debt and 70% with equity.

D- A project to extend FG's existing operations, funded 30% with debt and 70% with equity.

Answer:

D

Question 3

Question Type: **MultipleChoice**

MNO is listed on its local stock exchange. It has a high level of gearing compared to the industry average as a result of rapid expansion funded by debt. The directors of MNO would like to reduce the level of gearing by raising equity to fund the next expansion project. The directors are considering whether to use a placing of new shares or a rights issue.

Which of the following statementsis true?

Options:

A- A rights issue would not need to be underwritten because the risk of the shares not being taken up is small compared to a placing.

B- The administration costs associated with a placing are usually more expensive than a rights issue because less investors are involved.

C- A placing will increase the proportion of the total number of MNO's shares held by large investors.

D- The directors must use a placing before offering the rights issue to existing shareholders.

Answer:

C

Question 4

Question Type: **MultipleChoice**

EF have just paid a dividend of 20 cents a share and the current share price is $3.75. EF regularly reinvests 40% of its profit for the year and generates a return on reinvested funds of 12%.

The cost of equity for EF using the dividend valuation model is:

Options:

A- 10.4%

B- 12.9%

C- 10.7%

D- 13.2%

Answer:

A

Question 5

Question Type: **MultipleChoice**

Ratios calculated from thefinancial statements of ST Group for the years ended 31 August 20X7 and 20X6 are as follows:

	20X7	20X6
Gross profit margin	65%	59%
Operating profit margin	43%	42%

Which of the followingwould have contributed to the movements in these ratios?

Options:

A- During 20X7 ST Group acquired an associate which made arelatively smallprofit for the year.

B- ST Group extended its customer base which resulted in an increase inthe volume ofsales during 20X7.

C- During 20X7 ST Groupincreased the useful life of its vehiclesto five years from four and adjusted the depreciation charge accordingly.

D- The fair value of an investment acquired in 20X7 and classified as fair value through profit or losshas increased in value by the year end.

Answer:

C

Question 6

Question Type: **MultipleChoice**

LM and JK operatein the same countryand prepare their financial statements to30 June 20X6 in accordance with International Accounting Standards. On 27 June 20X6 both entities raised $1 million cashby issuing debt instruments with identical terms and conditions. Prior to this issue both entities were financed entirely by equity.

At 30 June 20X6 the gearing ratios,calculatedasDebt/Equity x 100%, wereas follows:

LM: 30%

JK: 65%

Which of the following independent options would explain the difference between LM and JK's year-end gearing?

Options:

A- LM revalued its land and buildings upwards in the year; JK has performed no revaluations.

B- LMmade a bonus issue from retained earnings in the year; JK issued no shares in the year.

C- LM had 100,000 $1 shares at the year end; JKhad 200,000 50c shares in issue at the year end.

D- LM held no investments in other entities; JK revalued its available for sale investments upwards in the year.

Answer:

A

Question 7

Question Type: MultipleChoice

Whichof the following, in accordance with IFRS 2 Share-based Payments, areonly applicable to the accounting treatment of cash settled rather than equity settled share-based payment schemes?

Select ALL that apply.

Options:

A- The instruments in the scheme are remeasured at the end of each financial year to fair value.

B- The instruments in the scheme are measured at the fair value at the grant date of the scheme.

C- The credit entry in the financial statements is to liabilities.

D- The credit entry in the financial statements is to equity.

E- The expense of the scheme is spread to profit or loss over the vesting period.

Answer:

A, C

Question 8

Question Type: **MultipleChoice**

XY puchased 2% of the equity shares of FG on 1 October 20X3.

XY paid $25,000 for the shares as well as a transaction cost of 2.5% of the purchase price.

The shares are being held for short term trading and XY intend to sell them in December 20X3.

At the year end of 31 October 20X3, the shares in FG could be sold for $28,000.

What is the journal entry to record the subsequent measurement for this investment at 31 October 20X3?

Options:

A- Debit investment in equity shares $3,000 and credit profit or loss $3,000.

B- Debit investment in equity shares $3,000 and credit other reserves $3,000.

C- Debit investment in equity shares $2,375 and credit profit or loss $2,375.

D- Debit investment in equity shares $2,375 and credit other reserves $2,375.

Answer:

A

Question 9

Question Type: **MultipleChoice**

Whatis meant by the term "a placing of ordinary shares"?

Options:

A- Selling new ordinary shares to a financial institution on a pre-arranged basis.

B- Selling new ordinary shares directly to the public.

C- Selling existing ordinary shares to new investors through a stock exchange.

D- Selling new ordinary shares to existing shareholders.

Answer:

A