



Free Questions for CMAPRA19-F02-1 by dumpssheet

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Question 1

Question Type: MultipleChoice

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

Which of the following financing options best meets these requirements?

Options:

- A- Convertible loan stocks
- B- Initial public offering of ordinary shares
- C- Redeemable preference shares
- D- A term loan

Answer:

A

Question 2

Question Type: MultipleChoice

Which THREE of the following actions should improve the cash position of an entity?

Options:

- A- Substituting a bonus issue for the final dividend.
- B- Selling non current assets and leasing them back under operating leases.
- C- Implementing an efficient inventory ordering system.
- D- Revaluing all non-current assets.
- E- Revising the depreciation policy of non-current assets.
- F- Offering extended credit terms to existing customers.

Answer:

A, B, C

Question 3

Question Type: MultipleChoice

Following a wedding in October 20X0 ten people contracted food poisoning from eating food cooked by the wedding caterer PQ. At 31 December 20X0 PQ was advised by its legal advisors that liability was possible but not probable and the incident was disclosed as a contingent liability at that date.

As the result of developments in the case, which is still not settled, PQ was advised that it is now probable, as at 31 December 20X1, that they will be found liable and will therefore have to pay damages of unknown value.

Which of the following would indicate that in the financial statements of PQ for the year ended 31 December 20X1 this should still be recognised as a contingent liability rather than a provision?

Options:

- A- There is no reliable estimate of the cost.
- B- A present obligation exists as a result of a past event.
- C- It is probable that there will be an outflow of economic resources to settle the case.
- D- The case has not yet been settled.

Answer:

A

Question 4

Question Type: MultipleChoice

JK has calculated its inventory holding period:

31 March 20X8	31 March 20X7
60 days	32 days

Which THREE of the following would have contributed to the above movement in inventory holding period?

Options:

- A-** JK's main supplier offered a significant one-off discount for purchases made in March 20X8.
- B-** In January 20X8 a major competitor entered the market in which JK operates.
- C-** A substantial contract is due to be dispatched early in April 20X8.

- D-** JK is enforcing stringent inventory control techniques following management instructions.
- E-** JK suffered industrial action by its production staff in the period December 20X7 to February 20X8.
- F-** It has been difficult to obtain one of JK's main components due to import issues with its overseas supplier.

Answer:

A, B, C

Question 5

Question Type: MultipleChoice

If you were asked to express the overall performance of an entity as a percentage of its total investment in net assets which of the following ratios would you calculate?

Options:

- A-** Return on capital employed
- B-** Asset utilisation
- C-** Dividend yield

D- Non-current asset turnover

Answer:

A

Question 6

Question Type: MultipleChoice

Which TWO of the following would be the primary disadvantages of producing the disclosures required in IFRS12 Disclosure of Interests in Other Entities?

Options:

- A-** The users of the financial statements may feel overburdened with information.
- B-** The disclosures take time and therefore incur costs which erodes shareholder value.
- C-** The disclosures will give competitors commercially sensitive information.
- D-** The disclosures will highlight the risks associated with interests in other entities.
- E-** The auditors will have to audit these disclosures.

Answer:

A, B

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