



# CIMAPRA19-F02-1<sup>Q&As</sup>

F2 - Advanced Financial Reporting

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**QUESTION 1**

XY purchased \$100,000 of quoted 8% bonds in the current year which it intends to hold until redemption.

Which of the following identifies the correct classification and subsequent measurement basis for this financial instrument?

- A. A loans and receivables financial asset subsequently measured at fair value with gains and losses in reserves.
- B. A held to maturity financial asset subsequently measured at amortised cost.
- C. A loans and receivables financial asset subsequently measured at amortised cost.
- D. A held to maturity financial asset subsequently measured at fair value with gains and losses in reserves.

Correct Answer: B

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**QUESTION 2**

Which of the following statements is true in respect of ST's gross profit margin based on the information given?

- A. Gross profit margin has increased as a result of management negotiating a premium price for the contract with the new customer.
- B. Economies of scale have been achieved from increased revenues resulting in a reduction in the gross profit margin.
- C. The associate's gross profit margin is greater than ST's leading to an overall increase in ST's margin.
- D. Gross profit margin has reduced due to the increased cost of the new contract.

Correct Answer: A

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**QUESTION 3**

XY purchased \$100,000 of quoted 8% bonds in the current year which it intends to hold until redemption.

Which of the following identifies the correct classification and subsequent measurement basis for this financial instrument?

- A. A loans and receivables financial asset subsequently measured at fair value with gains and losses in reserves.
- B. A held to maturity financial asset subsequently measured at amortised cost.
- C. A loans and receivables financial asset subsequently measured at amortised cost.
- D. A held to maturity financial asset subsequently measured at fair value with gains and losses in reserves.

Correct Answer: B

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**QUESTION 4**

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

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**QUESTION 5**

ST acquired 75% of the 2 million \$1 equity shares of CD on 1 January 20X3, when the retained earnings of CD were \$3,550,000. CD has no other reserves.

ST paid \$5,600,000 for the shares in CD and the non controlling interest was measured at its fair value of \$1,400,000 at acquisition.

At 1 January 20X3, the fair value of CD's net assets were equal to their carrying amount, with the exception of a building. This building had a fair value of \$1,000,000 in excess of its carrying amount and a remaining useful life of 25 years on 1 January 20X3.

At 31 December 20X5, the retained earnings of ST and CD were \$8,500,000 and \$5,250,000 respectively.

What is the value of retained earnings that will be presented in the consolidated statement of financial position of ST as at 31 December 20X5?

- A. \$9,685,000
- B. \$9,775,000
- C. \$9,715,000
- D. \$10,080,000

Correct Answer: A