



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

F2 - Advanced Financial Reporting

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### QUESTION 1

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

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### QUESTION 2

Which of the following is NOT an example of an unconsolidated structured entity as defined in IFRS12 Disclosure of Interests in Other Entities?

- A. A post-employment benefit plan
- B. A securitisation vehicle
- C. An asset-backed financing scheme
- D. An investment fund

Correct Answer: A

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### QUESTION 3

CORRECT TEXT

The capital structure of ST is summarised in the table below:

What is the weighted average cost of capital of ST?

Give your answer as a percentage to one decimal place.

? %

- A. 12.7, 12.67, 12.6



Correct Answer: A

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#### QUESTION 4

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

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#### QUESTION 5

GH acquired 3,000,000 of the 12,000,000 equity shares of JK. All shares carried equal voting rights and no other single shareholder of JK held more than 10% of the equity shares. GH has the power to participate in the financial and operating policy decisions but not control them.

Based on the information provided above, how would GH's investment in JK be accounted for in its consolidated financial statements?

- A. Associate
- B. Joint venture
- C. Joint arrangement
- D. Financial asset

Correct Answer: A

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