CIMAPRA19-F02-1 Q&As

F2 - Advanced Financial Reporting

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QUESTION 1

LM are just about to pay a dividend of 20 cents a share. Historically, dividends have grown at a rate of 5% each year.

The current share price is $3.05.

The cost of equity using the dividend valuation model is:

A. 12.4%

B. 11.9%

C. 7.4%

D. 6.9%

Correct Answer: A

QUESTION 2

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 3

BC are currently seeking to establish an accounting policy for a particular type of transaction.

There are four alternative ways in which this transaction can be treated. Each treatment will have a different outcome on the financial statements as follows:

1.

Treatment one means that the financial statements will be easier to prepare.

2.

Treatment two will give a fair representation of the transaction in the financial statements.

3.

Treatment three will maximise the profit figure presented in the financial statements.

4.

Treatment four means that the financial statements will be more easily understood by shareholders.

Which accounting treatment should BC adopt?

A. One

B. Two

C. Three

D. Four

Correct Answer: B

QUESTION 4

GH granted 100 share options to each of its 1,000 employees on 1 January 20X8. The fair value of each option was $7 on 1 January 20X8 and had risen to $8 at 31 December 20X8.

Which of the following statements represents the treatment that GH adopted to account for the related expense of these share options in its financial statements for the year ended 31 December 20X8, in accordance with IFRS 2 Share-based Payments?

A. The expense was measured using the fair value of $7 and the credit entry was to equity.

B. The expense was measured using the fair value of $7 and the credit entry was to liabilities.

C. The expense was measured using the fair value of $8 and the credit entry was to equity.

D. The expense was measured using the fair value of $8 and the credit entry was to liabilities.

Correct Answer: A

QUESTION 5

LM acquired 80% of the equity shares of ST when ST\\'s retained earnings were $50 million. The fair value of the net assets of ST included a contingent liability with a fair value of $100 million at the date of acquisition and a fair value of

$40 million at 31 December 20X6. No other fair value adjustments were required at the date of acquisition. LM and ST had retained earnings of $200 million and $80 million respectively at 31 December 20X6.

The consolidated retained earnings of LM at 31 December 20X6 were:

A. $164 million

B. $176 million

C. $272 million

D. $284 million

Correct Answer: C