



CIMAPRA19-F02-1^{Q&As}

F2 - Advanced Financial Reporting

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**QUESTION 1**

RS has issued an instrument with a nominal value of \$1 million, at a discount of 2.5%, and a coupon rate of 6%. The terms of the issue are that the instrument must either be redeemed at par, at the option of the holder, in three years\ time, or alternatively converted into equity shares in RS.

The characteristics of this instrument taken as a whole indicates that it would be classified as which of the following?

- A. Compound instrument
- B. Debt instrument
- C. Equity instrument
- D. Discounted instrument

Correct Answer: A

QUESTION 2

When accounting for a finance lease under IAS 17 Leases, which TWO of the following are recognised in the statement of profit or loss?

- A. Finance cost element of the lease payments
- B. Depreciation of the leased asset
- C. Lease payments paid
- D. Lease payments payable
- E. Capital repayment element of the lease payments

Correct Answer: AB

QUESTION 3

Which of the following actions would be most likely to improve an entity\'s gross profit margin?

- A. Negotiating with trade suppliers for a bulk purchase discount
- B. Offering increased credit to customers
- C. Reducing administrative expenses by 10%
- D. Writing down the value of obsolete inventories

Correct Answer: A



QUESTION 4

On 1 January 20X4 EF grants each of its 125 employees 500 share options on the condition that they remain in employment for 3 years. During the year to 31 December 20X4 10 employees left and it is expected that a further 25 will leave before the end of the vesting period.

The fair value of each share option is \$30 on 1 January 20X4 and \$45 on 31 December 20X4.

What is the journal entry in respect of these share options in EF's financial statements for the year ended 31 December 20X4?

- | | | |
|--------|----------------|----------|
| Debit | Profit or loss | \$675,00 |
| Credit | Liability | \$675,00 |
- | | | |
|--------|----------------|----------|
| Debit | Profit or loss | \$450,00 |
| Credit | Equity | \$450,00 |
- | | | |
|--------|----------------|----------|
| Debit | Profit or loss | \$450,00 |
| Credit | Liability | \$450,00 |
- | | | |
|--------|----------------|----------|
| Debit | Profit or loss | \$675,00 |
| Credit | Equity | \$675,00 |

A. Option A

B. Option B

C. Option C

D. Option D

Correct Answer: A

QUESTION 5

RS has issued an instrument with a nominal value of \$1 million, at a discount of 2.5%, and a coupon rate of 6%. The terms of the issue are that the instrument must either be redeemed at par, at the option of the holder, in three years' time, or alternatively converted into equity shares in RS.

The characteristics of this instrument taken as a whole indicates that it would be classified as which of the following?

A. Compound instrument

B. Debt instrument



C. Equity instrument

D. Discounted instrument

Correct Answer: A

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