



CIMAPRA19-F02-1^{Q&As}

F2 - Advanced Financial Reporting

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**QUESTION 1**

Which THREE of the following statements are true in relation to financial assets designated as fair value through profit or loss under IAS 39 Financial Instruments: Recognition and Measurement?

- A. Shares in another entity held for short term trading purposes fall within this category.
- B. Transaction costs in relation to these assets are expensed to profit or loss on acquisition.
- C. Transaction costs in relation to these assets are added to the initial cost of the asset on acquisition.
- D. The gain or loss on the subsequent measurement of these assets is recorded within other comprehensive income.
- E. The gain or loss on the subsequent measurement of these assets is recorded within profit for the year.
- F. Once the asset has been subsequently measured to fair value an impairment review is undertaken.

Correct Answer: ABE

QUESTION 2

EFG is preparing its financial statements to 31 March 20X8. During the year ended 31 March 20X7, EFG purchased a piece of land for \$1 million which is used as the staff car park. EFG has a policy of revaluing land, in accordance with International Accounting Standards, and at 31 March 20X8, accounted for a substantial increase in its value.

Revenue and operating profit has remained constant over the 2 years.

When comparing EFG's financial statements for the year ended 31 March 20X7 with those of 20X8, which THREE of the following would be expected?

- A. Increase in profit before tax.
- B. Increase in other comprehensive income.
- C. Increase in return on capital employed.
- D. Decrease in return on capital employed.
- E. Increase in net asset turnover.
- F. Decrease in net asset turnover.

Correct Answer: BDF

QUESTION 3

AB, a listed entity, prepared its financial statements to 31 December 20X7, in accordance with international accounting standards.

Which THREE of the following were disclosed as related parties of AB in its financial statements?



- A. AB's defined benefit pension plan.
- B. The wife of the Managing Director of AB, to whom AB sold a motor vehicle in the year to 31 December 20X7.
- C. ST, an entity that was jointly established by AB and CD, and that is accounted for as a joint venture in AB's financial statements to 31 December 20X7.
- D. AB's bank that provides more than 60% of the entity's loan finance.
- E. AB's main supplier, GH, who supplies more than 70% of AB's goods for manufacture.

Correct Answer: ABC

QUESTION 4

CORRECT TEXT

EF has redeemable 10% bonds which are currently trading at \$94.00 for each \$100 of nominal value. The bonds can be redeemed at par in five years' time. The corporate income tax rate is 22%.

The present value of the cash flows associated with \$100 nominal value of these bonds at a discount rate of 7% is \$9.28.

Calculate the post tax cost of debt.

Give your answer as a percentage to one decimal place.

%

- A. 9.4, 9.3, 9.39, 9.40

Correct Answer: A

QUESTION 5

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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