CIMAPRA19-F02-1^{Q&As}

F2 - Advanced Financial Reporting

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QUESTION 1

EF obtained a government licence, free of charge, to operate a silver mine in 20X7 and $5 million was spent on preparing the site. The mine commenced operation on 1 January 20X8. The licence requires that at the end of the mine\'s useful

life of 20 years, the site above ground must be reinstated to its original position.

EF estimated that the cost in 20 years\' time of this reinstatement will be $3 million, which has a present value of $1 million at 1 January 20X8.

Which THREE of the following describe how the cost of the reinstatement of the site should be treated in the financial statements of EF in the year ended 31 December 20X8?

A. The cost of the mine will be increased by $1 million on 1 January 20X8.

B. The cost of the mine will be increased by $3 million on 1 January 20X8.

C. There will be a credit to finance costs for the unwinding of the discount on the reinstatement provision.

D. There will be a debit to finance costs for the unwinding of the discount on the reinstatement provision.

E. Only the cost of the site preparation will be depreciated over the mine\'s useful economic life.

F. Depreciation will be charged over 20 years on the full cost of the mine including the reinstatement cost.

Correct Answer: ADF

QUESTION 2

Which of the following defines the calculation of interest cover?

A. Profit before interest and tax divided by finance costs

B. Finance costs divided by profit before interest and tax

C. Profit after tax divided by finance costs

D. Finance costs divided by profit after tax

Correct Answer: A

QUESTION 3

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

QUESTION 4

CORRECT TEXT

AB acquired its subsidiary on 1 January 20X7 when the fair value of net assets was the same as book value with the exception of property, plant and equipment that had a fair value $500,000 higher than carrying value.

These assets were assessed to have a remaining useful life of 5 years from the date of acquisition.

What is the net consolidation adjustment to the property, plant and equipment balance at 31 December 20X9?

Give your answer to the nearest whole number (in \\'$000s).

$?

A. 200000, 200

Correct Answer: A

QUESTION 5

CORRECT TEXT

CD reported a balance of $3,000,000 for property, plant and equipment in its individual financial statements at 31 December 20X8.

Calculate the value of the property, plant and equipment that will be included in CD\\'s consolidated statement of financial position.

Give your answer to the nearest $000.

$? 000

A. 4481, 4481000, 4481481

Correct Answer: A

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