CIMAPRA19-F02-1 Q&As

F2 - Advanced Financial Reporting

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QUESTION 1

LM is preparing its consolidated financial statements for the year ended 30 April 20X5. During the year LM acquired 30% of the equity shares of AB giving it significant influence over AB.

LM conducted ratio analysis comparing the financial performance of the group for 30 April 20X4 and 20X5.

Which of the following ratios would not be comparable as a result of the acquisition of AB?

A. Operating profit margin.

B. Return on capital employed.

C. Earnings per share.

D. Interest cover.

Correct Answer: C

QUESTION 2

Entity A entered into a 3 year operating lease on 1 April 20X3. The rentals are £5,000 a year payable in advance with an additional payment of $1,800 payable on 1 April 20X3. The rental expense to be included in the statement of profit or loss for the year ended 31 December 20X3 will be:

A. $4,200

B. $5,000

C. $6,800

D. $5,600

Correct Answer: A

QUESTION 3

AB acquired 90% of the equity of YZ on 31 December 20X2. On the same date YZ acquired 60% of the equity shares of VW for $750,000. AB has no other subsidiaries. The following information regarding YZ and VW was available:

	YZ	VW
	$'000	$'000
NCI recognised at 31 December 20X2	450	310
Retained earnings at 31 May 20X6	300	110
Retained earnings at 31 December 20X2	150	20

What amount will AB include in its consolidated statement of financial position in respect of non controlling interest at 31 May 20X6?

A. $816,400

B. $741,400

C. $840,600

D. $811,000

Correct Answer: B

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 has a weighted average cost of capital (WACC) of 12%. The debt:equity ratio is 1:3 and this is considered low for the industry. XY needs to raise finance to purchase new machinery in the coming year. Which of the following forms of finance is most likely to increase the WACC?

A. Rights issue of equity shares

B. 6% bank loan

C. 8% preference shares

D. Finance lease

Correct Answer: A