



CIMAPRA19-F02-1^{Q&As}

F2 - Advanced Financial Reporting

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QUESTION 1

Which of the following actions should XY's management take in order to reduce its investment in working capital?

- A. Sell its long-term investments and use the proceeds to reduce its bank overdraft.
- B. Extend credit terms with its trade customers.
- C. Scrap its obsolete inventory and replace with new inventory.
- D. Pay trade suppliers more quickly to take advantage of prompt payment discounts.

Correct Answer: A

QUESTION 2

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 3

CORRECT TEXT

Information extracted from JK's statement of financial position for the year ended 31 May 20X5 is as follows:

Calculate the gearing ratio (Debt/Equity measured as a percentage) at 31 May 20X5.

Give your answer to one decimal place.

? %

- A. 58.4, 58, 58.44, 59, 58.5, 58.0

Correct Answer: A

QUESTION 4



CORRECT TEXT

LK acquired 100% of the equity shares of TU on 1 January 20X4. LK disposed of 60% of TU for \$4,400,000 on 30 September 20X4. The sale proceeds reflected the fair value of TU's shares on that date.

The remaining 40% shareholding gave LK the ability to exercise significant influence over the activities of TU. TU reported profit of \$1,800,000 for the year ended 31 December 20X4 and this accrued evenly throughout the year.

Calculate the investment in associate that will be presented in LK's consolidated statement of financial position as at 31 December 20X4.

Give your answer to the nearest whole \$'000.

\$ 000

A. 1780, 1780000

Correct Answer: A

QUESTION 5

Which of the following best describes the goal of WACC as a measure?

A. To work out the average return that is required by the company on its investments in order to satisfy all shareholders and debt holders.

B. To work out the average return that is required by the company on its investments in order to satisfy all shareholders.

C. To work out the average return that is required by the company on its investments in order to satisfy all debt holders.

D. To work out the minimum return that is required by the company on its investments in order to satisfy all shareholders and debt holders.

Correct Answer: A

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