

CIMAPRA19-F02-1^{Q&As}

F2 - Advanced Financial Reporting

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QUESTION 1

UV entered into a five year non-cancellable operating lease for an asset two years ago. Lease payments are settled annually in arrears.

At the year end, UV no longer requires this leased asset as they have decided to discontinue the product line that it was used for.

At this date UV had made two out of the five lease payments.

Which of the following statements about the unavoidable lease payments is true in accordance with IAS 37 Provisions, Contingent Liabilities and Assets?

- A. A provision should be recognised for the unavoidable lease payments with a corresponding charge to profit or loss.
- B. A provision should be recognised for the unavoidable lease payments with a corresponding charge to other comprehensive income.
- C. The amount of the unavoidable lease payments should be disclosed in the financial statements with no corresponding accounting entry.
- D. The amount of the unavoidable lease payments should be ignored in the financial statements.

Correct Answer: A

QUESTION 2

Which THREE of the following actions should improve the cash position of an entity?

- A. Substituting a bonus issue for the final dividend.
- B. Selling non current assets and leasing them back under operating leases.
- C. Implementing an efficient inventory ordering system.
- D. Revaluing all non-current assets.
- E. Revising the depreciation policy of non-current assets.
- F. Offering extended credit terms to existing customers.

Correct Answer: ABC

QUESTION 3

Information from the financial statements of an entity for the year to 31 December 20X5:

	\$'000
Retained earnings	2,650
Revaluation surplus	1,000
Share capital	2,000
Share premium	450
Other reserve	500
Profit after tax	200
Operating profit	300
5% Long term borrowings	1,000

The gearing ratio calculated as debt/equity and interest cover are:

- A. gearing of 15% and interest cover of 6.
- B. gearing of 16% and interest cover of 6.
- C. gearing of 15% and interest cover of 4.
- D. gearing of 16% and interest cover of 4.

Correct Answer: A

QUESTION 4

The financial statements of ST at 31 December 20X9 include the following balances in respect of shares classed as equity:

	\$000
Equity share capital (50c shares)	1,000
5% Irredeemable preference share capital	500

The profit after tax for the year ended 31 December 20X9 is \$200,000. What is ST\'s basic EPS for the year to 31 December 20X9?

- A. 8.8 cents
- B. 17.5 cents
- C. 20.0 cents
- D. 10.0 cents

Correct Answer: A

QUESTION 5

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

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