

# CIMAPRA19-F02-1<sup>Q&As</sup>

F2 - Advanced Financial Reporting

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**QUESTION 1**

LM acquired 80% of the equity shares of ST when ST's retained earnings were \$50 million. The fair value of the net assets of ST included a contingent liability with a fair value of \$100 million at the date of acquisition and a fair value of \$40 million at 31 December 20X6. No other fair value adjustments were required at the date of acquisition.

LM and ST had retained earnings of \$200 million and \$80 million respectively at 31 December 20X6.

The consolidated retained earnings of LM at 31 December 20X6 were:

- A. \$164 million
- B. \$176 million
- C. \$272 million
- D. \$284 million

Correct Answer: C

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**QUESTION 2**

UV has raised \$100,000 through the issue of two irredeemable financial instruments:

6% debentures with a current market value of \$101.50 per \$100 nominal value; and

8% preference shares with a current share price of \$2.20 each.

The corporate income tax rate is 20%

What is the post tax cost of debt for each of these instruments?

- A. A. Option A

Correct Answer: A

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**QUESTION 3**

CORRECT TEXT

Calculate the exchange difference arising on the retranslation of goodwill on the acquisition in the consolidated statement of financial position of CD at 31 December 20X7.

Give your answer to the nearest \$000.

\$ ? 000

- A. 14, 14000, 13636, 13637

Correct Answer: A

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## QUESTION 4

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

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## QUESTION 5

Which of the following is a related party according to the definition of a related party in IAS24 Related Party Disclosures?

- A. Major customer
- B. Provider of finance
- C. Managing Director
- D. Major supplier

Correct Answer: C

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