CIMAPRA19-F02-1 Q&As

F2 - Advanced Financial Reporting

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QUESTION 1

Information from the financial statements of RST for the year ended 30 April 20X9 is as follows:

At 30 April 20X9 the ordinary shares are trading at $4.75.

What is the price earnings (P/E) ratio for RST at 30 April 20X9?

A. 15.83

B. 7.92

C. 10.56

D. 9.31

Correct Answer: A

QUESTION 2

Which of the following are limitations of financial statement figures for ratio analysis? Select the ALL that apply.

A. Only provides historic data

B. Only provides financial information

C. Limited information to identify trends over time

D. Provide only summarised information

E. Contains complicated information that needs to be summarised

F. Only provides forecast data

Correct Answer: ABCD

QUESTION 3

XY acquired 75% of the equity shares of LM on 31 December 20X3. LM acquired 60% of the equity shares of JK on 31 December 20X4 for $950,000. XY measured the non controlling interest in JK at the date of acquisition using the proportionate share of the fair value of the net assets acquired. The fair value of JK\\'s net assets was $850,000 at 31 December 20X4.

What is the value of goodwill that XY will include in its consolidated statement of financial position at 31 December 30X4 in respect of JK as a result of gaining indirect control?

A. $330,000

B. $202,500

C. $567,500

D. $440,000

Correct Answer: A

QUESTION 4

GG\\'s gearing is currently 50% compared to the industry average of 40% (both measured as debt/equity). GG\\'s debt is all in the form of a single bank loan that is repayable in five years\\' time. The directors of GG are seeking to raise finance for a new project and they are considering an additional bank loan from the same bank.

Which of the following would prevent the bank from lending the finance for the project in the form of a new bank loan?

A. A covenant on the existing bank loan that restricts the level of dividend that can be paid.

B. A projected decrease in interest cover that would breach a covenant on the existing loan.

C. The revaluation of GG\\'s property that shows an increase in its value since the existing bank loan was taken out.

D. A projected lack of profits to be able to claim tax relief on the additional interest arising from the new loan.

Correct Answer: B

QUESTION 5

JK is seeking to raise finance for a project and the directors would prefer to take out a fixed rate bank loan repayable over the next 5 years. The project will increase the profit of JK even after taking into account the additional interest costs. Which of the following statements about the use of a bank loan in this situation is true?

A. In the long term servicing a bank loan is more expensive than servicing equity shares due to the higher risk for the lender.

B. The interest on a bank loan is deducted from profit before dividends can be declared to equity shareholders each year.

C. Because the assets of a business belong to the equity shareholders, a bank loan should NOT be secured on the assets of the business.

D. A bank loan has high issue costs compared to an issue of equity shares because it takes longer to arrange.

Correct Answer: B