CIMA

CIMAPRA19-F02-1-ENG

F2 Advanced Financial Reporting (Online)

QUESTION & ANSWERS

Question: 1

Operating segments are separately reportable where they exceed 15% of revenue / profits / assets. These must in total cover 80% of total revenue. Is this statement true or false?

A. True

B. False

Answer: B

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

Answer: A,B,C,D

Question: 3

The basic earning per share computed by a company for year ended 31st March 20X7 is 2 per share. The company had certain convertible debentures outstanding as on 31st March 20X7. The conversion of debentures to equity shares would result in the earnings per share to be 2.2. Which of the following should the company disclose?

A. Basic earnings per share only

B. Diluted earnings per share only

C. Both basic and diluted earnings per share

D. Neither basic nor diluted earnings per share

Answer: A

Question: 4

Mr. Rodgers is an accountant for JK Pic. He is asked to record a particular share-based payment in the company's accounts and obliges by debiting as an expense the first relevant account and crediting the corresponding double-entry as a liability.
Which type of share-based payment has Mr. Rodgers recorded?

A. Cash-settled in the future

B. Cash-settled immediately

C. Equity-settled immediately

D. Equity-settled in the future

E. Neither cash nor equity-settled

Answer: A

Question: 5

Which of the following statements are INCORRECT with regards to impairment of financial instruments; Select ALL that apply.

A. Held to maturity instruments and available for sale assets are both measured at amortised cost and are therefore impacted by impairment.

B. If a loss is suspected following an impairment review, a financial asset is written down to its fair value.

C. If a contract relating to a financial instrument is breached then this might be an indication of impairment.

D. In the result of an impairment loss, the carrying amount of the asset is directly reduced, or reduced through an allowance account.

E. The impairment loss on held to maturity instruments is the difference between the assets carrying amount and the present value of its future cashflows.

Answer: A,B

Question: 6

The IAS definitions of financial instruments dictate their classification between debt and equity. Which of of the following

factors might this classification impact?
Select ALL that apply.

A. Financial risk

B. Profitability

C. Profit distribution

D. Liquidity

Answer: A

Question: 7

The tax benefit on a company's asset is 180,000 and the useful life on that asset is five years. The company creates a deferred tax provision to spread this benefit over the asset's useful life.
What entry is needed to reduce this deferred tax provision in the company's year two accounts?

A. DR Deferred tax liability (SOFP) 36,000

B. CR Deferred tax liability (SOFP) 36,000

C. DR Corporation tax (income statement) 36,000

D. CR Corporation tax (income statement) 36,000

E. DR Deferred tax liability (SOFP) 144,000

F. CR Deferred tax liability (SOFP) 144,000

G. DR Corporation tax (income statement) 144,000

H. CR Corporation tax (income statement) 144,000

Answer: A

Question: 8

A local council is one year into a two year project to renovate local parks. The project is on track to be completed within the set time-scale, however it has proved more costly than initially expected.
The project is on track to be completed within its two year period. Contracts for the labour and materials needed to renovate the parks were agreed at the start of the project and no changes have arisen. Despite the fact that the council has yet to fully settle these contracts, costs are set to be as budgeted.
Why would this example not be recognised as a provision?