



CIMAPRA19-F02-1^{Q&As}

F2 - Advanced Financial Reporting

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QUESTION 1

JK has calculated its inventory holding period:

31 March 20X8	31 March 20X7
60 days	32 days

Which THREE of the following would have contributed to the above movement in inventory holding period?

- A. JK's main supplier offered a significant one-off discount for purchases made in March 20X8.
- B. In January 20X8 a major competitor entered the market in which JK operates.
- C. A substantial contract is due to be dispatched early in April 20X8.
- D. JK is enforcing stringent inventory control techniques following management instructions.
- E. JK suffered industrial action by its production staff in the period December 20X7 to February 20X8.
- F. It has been difficult to obtain one of JK's main components due to import issues with its overseas supplier.

Correct Answer: ABC

QUESTION 2

AB and CD are competitors supplying components to the car manufacturing industry. AB operates in Country X and CD operates in Country Y. Both entities were incorporated on the same day, are the same size and prepare financial statements to 31 March each year using international accounting standards.

Which of the following statements taken individually would limit the usefulness of the comparison of the return on capital employed ratio between the two entities?

- A. The corporate tax rate is 25% in Country X and 40% in Country Y.
- B. The average rate of inflation is 3% in Country X and 10% in Country Y.
- C. The average rate of borrowing is 2% in Country X and 7% in Country Y.
- D. The currency is Dollar in Country X and Krona in Country Y.

Correct Answer: B

QUESTION 3



A group presents its financial statements in A\$.

The goodwill of its only foreign subsidiary was measured at B\$100,000 at acquisition. There have been no impairments to this goodwill.

Exchange rates (where A\$/B\$ is the number of B\$'s to each A\$) are as follows:

	A\$/B\$
At acquisition date	1.50
Closing rate at 31 December 20X4	1.32

The value of goodwill to be included in the group's statement of financial position in respect of its foreign subsidiary for the year ended 31 December 20X4 is:

- A. A\$75,758.
- B. A\$66,667.
- C. A\$150,000.
- D. A\$132,000.

Correct Answer: A

QUESTION 4

The dividend yield of ST has fallen in the year to 31 May 20X5, compared to the previous year.

The share price on 31 May 20X4 was \$4.50 and on 31 May 20X5 was \$4.00. There were no issues of share capital during the year.

Which of the following should explain the reduction in the dividend yield for the year to 31 May 20X5 compared to the previous year?

- A. The dividend paid in the year was reduced in order to pay for new assets.
- B. Surplus cash was used to pay a special dividend in addition to the normal dividend in the year.
- C. The profit for the year fell significantly and the dividend per share stayed the same.
- D. To compensate investors for the reduction in share price a higher dividend per share was paid.

Correct Answer: A

QUESTION 5

Extracts from its statement of profit or loss for the year ending 31 October 20X7 are as follows:



	\$'000
Gross profit	3,422
Distribution costs	(2,121)
Administration expenses	(986)
Share of profit of associate	110
Finance costs	(35)
Profit before tax	390
Profit for the year	345

At 31 October 20X1 RS has in issue 10% debentures 20X8 with a carrying value of \$350,000.

What is the interest cover for RS for the ended 31 October 20X7?

- A. 9.0 times
- B. 11.1 times
- C. 10.0 times
- D. 8.0 times

Correct Answer: A

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