



**Free Questions for CIMAPRA19-F02-1 by
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Question 1

Question Type: MultipleChoice

Which of the following principles are the basic principles followed by the consolidated income statement?

Select ALL that apply.

Options:

- A- Include all of the parent's income and expenses plus all of the subsidiaries' income and expenses
- B- Ignore investment income from subsidiary to parent (e.g. dividend payments or loan interest)
- C- After profit for the period, show the profit split between amounts attributable to the parent's shareholders and other shareholders
- D- Include all of the parent's income and expenses minus all of the subsidiaries' income and expenses
- E- Include investment income from subsidiary to parent (e.g. dividend payments or loan interest)

Answer:

A, B, C

Question 2

Question Type: MultipleChoice

Which of the following best describes the goal of WACC as a measure?

Options:

- A-** To work out the average return that is required by the company on its investments in order to satisfy all shareholders and debt holders.
- B-** To work out the average return that is required by the company on its investments in order to satisfy all shareholders.
- C-** To work out the average return that is required by the company on its investments in order to satisfy all debt holders.
- D-** To work out the minimum return that is required by the company on its investments in order to satisfy all shareholders and debt holders.

Answer:

A

Question 3

Question Type: MultipleChoice

Company A are approached by a wealthy and internationally famous investor shortly before the launch date of their IPO. He tells them that the company do not need to incur all of the cost and risk of an IPO, as he will give them \$55 million for 65% equity in the company.

Which of the following statements are also true of the offer? Select ALL that apply.

Options:

- A- This offer is from an angel investor
- B- The offer may ultimately require the majority stakeholder to sell his shares in the company
- C- The investor will probably want to manage the company
- D- The investor will want a long term commitment in the company

Answer:

A, B, C

Question 4

Question Type: MultipleChoice

An investor owns 75 shares values at \$1.50 each. If the shares increase in value to \$1.75, how much money will the investor have made through this capital gain?

Options:

A- \$18.75

B- \$131.25

C- \$187.50

D- \$112.50

E- \$26.25

F- \$15

Answer:

A

Question 5

Question Type: MultipleChoice

The consolidated statement of profit or loss for VW for the year ended 30 September 20X7 includes the following:

What is VW's interest cover for the year ended 30 September 20X7?

Options:

A- 4.5

B- 3.3

C- 4.1

D- 5.1

Answer:

A

Question 6

Question Type: MultipleChoice

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?

Options:

A- 15.83

B- 7.92

C- 10.56

D- 9.31

Answer:

A

Question 7

Question Type: MultipleChoice

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

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

Options:

- 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.

Answer:

A

Question 8

Question Type: MultipleChoice

As at 31 October 20X7 TU's financial statements show the entity having profit after tax of \$600,000 and 900,000 \$1 ordinary shares in issue. There have been no issues of shares during the year. At 31 October 20X7 TU have 300,000 share options in issue, which allow the holders to purchase ordinary shares at \$2 a share in 3 years' time. The average price of the ordinary shares throughout the year was \$5 a share.

What is the diluted earnings per share for the year ended 31 October 20X7?

Options:

A- 66.7 cents

B- 58.8 cents

C- 50.0 cents

D- 55.6 cents

Answer:

D

Question 9

Question Type: MultipleChoice

AB sold the majority of its operating equipment to LM for cash on 30 December 20X9 and then immediately leased it back under an operating lease.

AB used the cash proceeds from the sale to reduce its long term borrowings significantly. No early repayment charge was levied by the lender.

Which of the following statements is true in respect of AB's ratios calculated at 31 December 20X9?

Options:

- A- AB's return on capital employed would be lower as a result of this sale being recorded.
- B- AB's current ratio would be lower as a result of this sale being recorded.
- C- AB's non-current asset turnover would be lower as a result of this sale being recorded.
- D- AB's gearing ratio would be lower as a result of this sale being recorded.

Answer:

D

Question 10

Question Type: MultipleChoice

MNO has calculated its return on capital employed ratio for 20X4 and 20X5 as 41% and 56% respectively.

Taking each statement in isolation, which would explain the movement in the ratio between the 2 years?

Options:

- A- In 20X5 the average interest rate on borrowing decreased compared to 20X4.
- B- In 20X4 an onerous contract was provided for and this provision did not change in 20X5.
- C- In 20X5 the increase in value of MNO's head office was reflected in the financial statements.
- D- In 20X4 an unused building was sold at a price in excess of its carrying value.

Answer:

B

Question 11

Question Type: MultipleChoice

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?

Options:

- 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.

Answer:

A

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