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# Question 1

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## Question Type: MultipleChoice

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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?

### Options:

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- 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:

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A

## Question 2

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**Question Type:** MultipleChoice

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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?

### Options:

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- A-** Neither the timing nor the amount of the provision is uncertain.
- B-** The settlement of the contract is unlikely to result in an outflow from the council.
- C-** The council doesn't have a present obligation from the project.
- D-** The council has no potential future obligations arising from the project.

**Answer:**

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A

## Question 3

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**Question Type: MultipleChoice**

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Which of the following examples would be classed as related parties of JH Ltd due to the power they possess to directly influence the company?

- 1: JH Ltd's managing director
- 2: The son of JH Ltd's managing director, who is an intern in the company's office
- 3: The brother of JH Ltd's managing director, whose business supplies a large amount of production material for the company
- 4: JH Ltd's subsidiary company, AL Ltd
- 5: BR PLC, one of JH Ltd's regular customers

**Options:**

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**A-** 1&4

**B-** 1

**C-** 1, 2, 3 & 4

**D-** 2, 3 & 4

**E-** 1, 2 & 3

**F-** All of the above

**Answer:**

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B

## Question 4

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**Question Type:** MultipleChoice

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Which of the following examples of contracts will use cost of sales as the balancing figure when calculating profit or loss?

Select ALL that apply.

**Options:**

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**A-** Contract A has a total value of 50m, costs to date of 42m and expected costs to completion of 15m. The project's % stage of

completion is 74% using the cost method.

**B-** Contract A has a total value of 55m, costs to date of 33m and expected costs to completion of 18m.

**C-** Contract A has a total value of 75m, costs to date of 61m and expected costs to completion of 20m. The contract's % stage of completion was calculated by dividing its value to date of 45m by 75m.

**D-** Contract A has a total value of 60m, costs to date of 42m and expected costs to completion of 15m. The project's % stage of completion is 80% using the value method.

**E-** Contract A has a total value of 85m, costs to date of 69m and expected costs to completion of 22m. The contract's % stage of completion was calculated by dividing its costs incurred to date of 69m by 75m.

**Answer:**

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C, D

## Question 5

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**Question Type:** MultipleChoice

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Which of the following statements are true regarding consolidated cash flows after the acquisition of a subsidiary?

Select ALL that apply.

### Options:

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- A- The subsidiary's cash inflows and outflows become part of the group after purchase
- B- Cash acquired from the subsidiary upon purchase is represented as a cash inflow
- C- Adjustments need to be made to group working capital in light of the working capital acquired from the subsidiary
- D- Net cash paid to acquire a subsidiary is shown as a cash inflow within the cash flow from investing activities
- E- Disclosure notes are required to show cash and cash equivalents paid or received, but not details of goodwill, assets and liabilities acquired
- F- Further adjustments are required to cash inflows and outflows after profit has been consolidated

### Answer:

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A, B, C

## Question 6

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**Question Type:** MultipleChoice

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When establishing a group structure, which of the following factors need to be considered: Select ALL that apply.

### Options:

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- A- Whether control has been established
- B- The percentage ownership
- C- The date of acquisition
- D- Non-controlling interests
- E- Goodwill
- F- Intra-group investments
- G- Whether control is direct or indirect

### Answer:

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A, B, C

## Question 7

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### Question Type: MultipleChoice

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MS Group's total profit for period on their consolidated income statement is 31,000. This includes adjusting for their share of joint venture JV2. Calculate the share of joint venture MS Group received based on the following information.

MS operating profit 41,000



Dividend from JV2 5,000

Finance cost 3,000

Tax 11,000

**Options:**

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**A-** 4,000

**B-** 9,000

**C-** 1,000

**D-** 7,000

**E-** 6,000

**F-** 5,000

**Answer:**

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A

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