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Question 1

Question Type: CorrectText

A specialized product was commissioned by a customer and the agreed price was \$38,000. The product was completed at a cost of \$34,000.

It was then discovered that new regulations meant that the specialized product now failed health and safety requirements. The specialized product had to be modified to meet the new regulations at a cost of \$9,000. The customer agreed to pay an extra \$3,000 towards the modifications.

At 31 December 20X5 the specialized product was still in inventory and had not been modified.

Calculate the value of the specialized product that should be included in inventory as at 31 December 20X5.

Give your answer to the nearest whole \$000.

Answer:

Question 2

Question Type: MultipleChoice

A conservative policy for financing working capital is one where short-term finance is used to fund:

Options:

- A- All of the fluctuating current assets and part of the permanent current assets.
- B- Part of the fluctuating current assets, but no part of the permanent current assets.
- C- All of the fluctuating current assets, but no part of the permanent current assets.
- D- Part of the fluctuating current assets and part of the permanent current assets.

Answer:

B

Question 3

Question Type: CorrectText

OP is considering investing in government bonds. The current price of a \$100 bond with 8 years to maturity is \$88.

The bonds have a coupon rate of 6% and repay face value of \$100 at the end of the 8 years.

Calculate the yield to maturity.

Give your answer to one decimal place.

Answer:

Question 4

Question Type: MultipleChoice

LM is preparing its cash forecast for the next three months.

Which of the following items should be left out of its calculations?

Options:

- A-** Tax payment due, that relates to last year's profits.
- B-** Receipt of a new bank loan raised for the purpose of purchasing new machinery.
- C-** Expected loss on the disposal of a piece of land.

D- Rental payment on a leased vehicle.

Answer:

C

Question 5

Question Type: CorrectText

An entity purchased equipment on 1 April 20X4 for \$200,000. The equipment was depreciated using the reducing balance method at 20% a year.

Depreciation was charged up to and including 31 March 20X7. At that date the recoverable amount of the equipment was \$94,000.

Calculate the impairment loss on the equipment in accordance with IAS 36 Impairment of Assets.

Give your answer to the nearest whole \$.

Answer:

Question 6

Question Type: MultipleChoice

Which of the following is a characteristic of a defined contribution post-employment benefit scheme?

Options:

- A-** The amount of the post-employment benefits paid to former employees depends on how well the scheme's investments have performed.
- B-** The employer would make additional contributions into the scheme if the actuary predicted a shortfall in the funds available to pay post-employment benefits.
- C-** The amount of the post-employment benefits paid to former employees is determined at the date of their retirement using a predefined formula.
- D-** The employer may take a contributions holiday and stop paying contributions for a period, if the scheme's assets appear to be more than are required to meet the scheme's obligations.

Answer:

A

Question 7

Question Type: CorrectText

An entity opens a new factory and receives a government grant of \$25,000 towards the cost of new plant and equipment. This new plant and equipment originally costs \$100,000.

The entity uses the net cost method allowed by IAS 20 Accounting for Government Grants and Disclosure of Government Assistance to record government grants of this nature. All plant and equipment is depreciated at 20% a year on a straight line basis.

Calculate the amount of depreciation to be included for this plant and equipment in the statement of profit of loss for the factory's first year of operation.

Give your answer to the nearest whole \$.

Answer:

Question 8

Question Type: CorrectText

During the year a piece of equipment that originally cost \$96,000, with accumulated depreciation of \$39,000, met the criteria of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations to be classified as held for sale.

The equipment is being advertised for sale at \$46,000 and costs of \$1,000 will be incurred to enable the sale to be completed.

At what value should the equipment be included in the statement of financial position at the year end assuming that it remains unsold?

Give your answer to the nearest whole number.

Answer:

Question 9

Question Type: MultipleChoice

RS purchased an asset on 1 May 20X1 for \$200,000, exclusive of import duties of \$25,000.

The asset was sold on 1 December 20X3 for \$450,000, incurring costs to sell of \$15,000.

RS is resident in Country Y where indexation is allowable from the date of purchase to the date of sale.

The indexation factor increased by 40% in the period 1 May 20X1 to 1 December 20X3.

Capital gains are taxed at 25%.

What is the capital tax due from RS on disposal of the asset?

Options:

A- \$120,000

B- \$38,750

C- \$30,000

D- \$28,500

Answer:

C

Question 10

Question Type: CorrectText

QR purchased a property for its investment potential on 1 January 20X3 for \$2.5 million.

The total property cost is split as follows: land \$1 million and buildings \$1.5 million. The buildings were expected to have a remaining useful life of 40 years.

The local property index at 31 December 20X3 indicates that the fair value of the property has risen by 10%.

What is the balance that QR will include in its statement of financial position at 31 December 20X3 for this property, assuming that it uses the IAS 40 Investment Properties fair value model?

Give your answer in \$million to two decimal places.

Answer:

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