



CIMAPRA19-F03-1 Practice Questions

Shared by Larsen on 09-10-2026

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Question 1

Question Type: MultipleChoice

Company A is planning to acquire Company B.

Company A's managers think they can improve the performance of Company B to the extent that its own P/E ratio should be applied to Company B's earnings.

Relevant Data:

	Company A	Company B
P/E Ratio	8	6
Total Earnings	\$5 million	\$4 million
Market Share Price	\$6.50	\$2.50
Market Capitalisation	\$40 million	\$24 million

What is the expected synergy if the acquisition goes ahead?

Give your answer to the nearest \$ million.

\$? million

Options:

A- 8, 8000000

B- 7, 8000000

Answer:

A

Question 2

Question Type: MultipleChoice

A company has undertaken a transaction with its shareholders which has had the following impact on its financial statements:

- * Retained earnings has decreased
- * Share capital has increased
- * Earnings per share has decreased
- * The book value of equity is unchanged

The company has undertaken a:

Options:

- A- share repurchase.
- B- scrip dividend.
- C- rights issue.
- D- cash dividend.

Answer:

B

Question 3

Question Type: MultipleChoice

Company Z has just completed the all-cash acquisition of Company A.

Both companies operate in the advertising industry.

The market considered the acquisition a positive strategic move by Company Z.

Which THREE of the following will the shareholders of Company Z expect the company's directors to prioritise following the acquisition?

Options:

- A- The realisation of anticipated post-acquisition synergies.
- B- The development of a dividend policy to meet the expectations of the target company shareholders.
- C- The integration and retention of key employees.
- D- The regulatory approval required to complete the acquisition.
- E- The retention of key customers of the acquired company.

Answer:

A, C, E

Question 4

Question Type: MultipleChoice

A listed company follows a policy of paying a constant dividend. The following information is available:

- * Issued share capital (nominal value \$0.50) \$60 million
- * Current market capitalisation \$480 million

The shareholders are requesting an increased dividend this year as earnings have been growing. However, the directors wish to retain as much cash as possible to fund new investments. They therefore plan to announce a 1-for-10 scrip dividend to replace the usual cash dividend.

Assuming no other influence on share price, what is the expected share price following the scrip dividend?

Give your answer to 2 decimal places.

\$?

Options:

- A- 3.64, 3.63, 3.65
- B- 3.64, 3.63, 3.66

Answer:

A

Question 5

Question Type: MultipleChoice

PYP is a listed courier company. It is looking to raise new finance to fit each of its delivery vans with new equipment to allow improved parcel tracking for customers. The senior management team of PYP have decided on a 10-year secured bond to finance this investment.

Which TWO of the following variables are most likely to decrease the yield to maturity of the bond?

Options:

- A- Changing the term of the bond from 10 years to 5 years to match the expected life of the new equipment
- B- The announcement of a new contract for PYP that will increase operating profits by 5% over the next 5 years.
- C- The senior management team decide to issue a convertible bond rather than a conventional bond
- D- The senior management team decide to issue an unsecured bond rather than a secured bond

Answer:

A, C

Question 6

Question Type: MultipleChoice

Which THREE of the following non-financial objectives would be most appropriate for a listed company in the food retailing industry?

Options:

- A- Reduce customer complaints
- B- Increase customer service quality
- C- Reduce production time
- D- Improve staff morale
- E- Reduce raw material wastage

Answer:

A, B, D

Question 7

Question Type: MultipleChoice

A company is in the process of issuing a 10 year \$100 million bond and is considering using an interest rate swap to change the interest profile on some or all of the \$100 million new finance.

The company has a target fixed versus floating rate debt profile of 1:1. Before issuing the bond its debt profile was as follows:

Floating rate bank borrowing	\$200 million
Fixed rate bond	\$200 million
Total	\$400 million

Which option best is the best interest rate swap structure for the company?

Options:

- A- Pay fixed receive floating interest rate swap for \$100 million.
- B- Pay fixed receive floating interest rate swap for \$50 million.
- C- Receive fixed pay floating interest rate swap for \$100 million.
- D- Receive fixed pay floating interest rate swap for \$50 million.

Answer:

D

Question 8

Question Type: MultipleChoice

G purchased a put option that grants the right to cap the interest on a loan at 10.0%. Simultaneously, G sold a call option that grants the holder the benefits of any decrease if interest rates fall below 8.5%.

Which THREE possible s would be consistent with G's behavior?

Options:

- A- G is willing to risk the loss of savings from a fall in interest rates if that offsets the cost of limiting the cost of rises.
- B- G's strategy is to ensure that its interest rates lie between 8.5% and 10.0%.
- C- G is concerned that interest rates may rise above 10.0%.
- D- G is concerned that interest rates may rise above 8.5%.
- E- G is concerned that interest rates may fall below 10%.

Answer:

A, B, C

Question 9

Question Type: MultipleChoice

A listed company with a growing share price plans to finance a four-year research project with debt.

The main criterion for the finance is to minimise the annual cashflow payments on the debt.

The research will be sold at the end of the project.

Which option best would be the most suitable financing method for the company?

Options:

- A- Bonds with warrants
- B- Finance lease
- C- Standard bonds
- D- Bank loan

Answer:

A

Question 10

Question Type: MultipleChoice

The directors of a unlisted manufacturing company have prepared a valuation of their company using the price-earning method.

Their calculation is:

Value if the company's equity = \$6 million x 10 = \$60 million where.

\$6 million is the company's reported profit before interest and tax in the most recent accounting period and

10 is the average price-earnings ratio for all listed companies

Which THREE of the following are weakness of this valuation?

Options:

- A- The equity result needs to be uplifted in recognition that this is an unlisted company.
- B- The price-earnings valuation method gives a value for the entire entity not just a value of the equity.
- C- A forecast of sustainable profit should have been used instead of a historical figure
- D- Profit after tax should have been used in the calculation instead of profit before interest and tax.
- E- The price-earnings ratio should have been an average for companies in the same industry sector rather than all listed companies

Answer:

C, D, E

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