

DUMPS ARENA

Financial Reporting

CPA FR

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QUESTION NO: 1

Plateau Co has the following construction contract in progress:

\$m

Total contract price 750

Costs incurred to date 225

Estimated costs to completion 340

Progress payments invoiced and received 290

Calculate the amounts to be recognized for the contract in the statement of profit or loss and statement of financial position using the proportion of costs incurred method.

Statement of profit or loss Statement of financial position

A. \$74m \$9m

B. \$111m \$46m

C. \$9m \$74m

D. \$185m \$120m

ANSWER: A**QUESTION NO: 2**

Veronica plc prepares its financial statements to 31 December. During 2012 Veronica plc made sales of \$850,000 and incurred costs of \$610,500. At the beginning of 2012 customers owed

\$125,500 and at the end of the year they owed \$135,400. At the beginning of 2012 Veronica plc owed \$45,500 to its suppliers and employees and at the end of the year it owed \$35,700.

During 2012 Veronica plc received interest of \$14,500 and paid interest of \$500.

In accordance with IAS 7 Statement of Cash Flows, what was Veronica plc's net cash from operating activities under the direct method for the year ended 31 December 2012?

A. \$258,700

B. \$233,800

C. \$219,800

D. \$219,300

ANSWER: D**QUESTION NO: 3**

Wolf plc acquired 80,000 \$1 ordinary shares in Fox plc on 1 April 20X5 at a cost of \$77,000. Fox plc's retained earnings at that date were \$50,000 and its issued ordinary share capital was \$100,000.

What is the amount of the gain on a bargain purchase arising on the acquisition?

- A. \$35,000
- B. \$43,000
- C. \$63,000
- D. \$73,000

ANSWER: B**QUESTION NO: 4**

POXIT plc controls another entity, DOBE Ltd, owning 60% of that company's ordinary share capital. At the group's year end, 31 December 2012, DOBE Ltd included \$6,000 in its receivables in respect of goods supplied to POXIT plc. However, the payables of POXIT plc included only \$4,000 in respect of amounts due to DOBE Ltd. The difference arose because, on 31 December 2012, POXIT plc sent a cheque for \$2,000 to DOBE Ltd, which was not received by DOBE Ltd until 3 January 2013.

Which of the following sets of consolidation adjustments to current assets and current liabilities is correct?

- A. Deduct \$6,000 from both consolidated receivables and consolidated payables
- B. Deduct \$3,600 from both consolidated receivables and consolidated payables
- C. Deduct \$6,000 from consolidated receivables and \$4,000 from consolidated payables, and include cash in transit of \$2,000
- D. Deduct \$6,000 from consolidated receivables and \$4,000 from consolidated payables, and include inventories in transit of \$2,000

ANSWER: C**QUESTION NO: 5**

IAS 17 Leases standardizes the accounting treatment and disclosure of assets held under lease. IAS 17 Leases requires a lessee to capitalize a finance lease at the amount of the

- A. Fair value
- B. Present value of the minimum lease payments

- C. Higher of fair value or present value of minimum lease payments
- D. Lower of fair value or present value of minimum lease payments

ANSWER: D

QUESTION NO: 6

On 1 April 2012, Hunting plc acquired 70% of the ordinary shares of ICM Ltd. The following figures relate to the year ended 31 December 2012.

Hunting plc ICM Ltd

\$ \$		
Revenue	769,000	600,000
Cost of sales	568,500	420,000
Gross profit	200,500	180,000

On 15 November 2012 ICM Ltd sold goods which cost it \$5,000 to Hunting plc for \$7,000. These goods were still held by Hunting plc at 31 December 2012.

What is the amount for gross profit in the consolidated income statement of Hunting plc for the year ended 31 December 2012?

- A. \$335,500
- B. \$333,500
- C. \$983,500
- D. \$985,500

ANSWER: B

QUESTION NO: 7

Richard Ltd and McMagoo Inc. trades in shares and securities and are close rivals for many years. Richard Ltd accuses McMagoo Inc. of providing false information related to a particular PH plc's share; though Richard Ltd knows it is not true. McMagoo Inc. sues Richard Ltd. for defamation. Richard's and McMagoo Inc's lawyers agree that it is likely that McMagoo Inc. will win the case and receive damages of an amount of \$1.5m. There is no possibility of the case being resolved before the financial statements are finished.

How the above litigation will be represented in the financial statements of both Richard Ltd and McMagoo Inc.?

- A. Richard Ltd should provide for \$1.5m. McMagoo Inc. has a contingent asset and should disclose in the financial statements.
- B. Richard Ltd should provide for \$1.5m. McMagoo Inc. should ignore as this is too remote.

C. Richard Ltd should ignore as this is too remote. McMagoo Inc. has a contingent asset and should disclose in the financial statements.

D. Richard Ltd should have a contingent asset and should disclose in the financial statements. McMagoo Inc. should provide for \$1.5m.

ANSWER: A

QUESTION NO: 8

Consider the following statements:

- (i) Some operating segments meet all the aggregation criteria.
- (ii) Identified reportable segments account for 75 percent of the entity's revenue.

How these should be reported under IFRS 8 Operating Segments?

A. (i) Reportable segments to be disclosed provided that they meet the quantitative thresholds.
(ii) Aggregate remaining segments into 'all other segments' category.

B. (i) Aggregate remaining segments into 'all other segments' category.
(ii) Reportable segments to be disclosed provided that they meet the quantitative thresholds.

C. (i) This is not a reportable segment to be disclosed.
(ii) Aggregate remaining segments into 'all other segments' category.

D. (i) Aggregate remaining segments into 'all other segments' category.
(ii) This is not a reportable segment to be disclosed.

ANSWER: A

QUESTION NO: 9

The consolidated financial statements of Paulo plc for the year ended 31 March 2013 showed the following.

Non-controlling interest in the consolidated statement of financial position at 31 March 2013 was \$6 million (\$3.6 million at 31 March 2012). Non-controlling interest in the consolidated income statement for the year ended 31 March 2013 was \$2 million.

During the year ended 31 March 2013, the group acquired a new 75% subsidiary whose net assets at the date of acquisition were \$6.4 million. On 31 March 2013, the group revalued all its properties and the non-controlling interest in the revaluation surplus was \$1.5 million. There were no dividends payable to non-controlling shareholders at the beginning or end of the year.

In accordance with IAS 7 Statement of Cash Flows, what was the dividend paid to non-controlling shareholders that will be shown in the consolidated statement of cash flows of Paulo plc for the year ended 31 March 2013?

A. \$1.2 million

B. \$2.7 million

C. \$4.5 million

D. \$7.5 million

ANSWER: B

QUESTION NO: 10

According to IAS 1 Presentation of Financial Statements, which of the following statements is / are correct?

(i) The accounting policies adopted by a company must be disclosed in the notes to the financial statements

(ii) Inappropriate accounting policies can be rectified by disclosure of the policies used or by the inclusion of explanatory material

(iii) Companies may choose to prepare their financial statements (except for the statement of cash flows) on either the accrual basis or the cash basis

A. (i), (ii) and (iii)

B. (i) and (ii) only

C. (ii) and (iii) only

D. (i) only

ANSWER: D