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Exam : CIMAPRA19-F01-1-ENG

Title : Financial Reporting and Taxation

Version : DEMO

1.Country X levies corporate income tax at a rate of 25% and charges income tax on all profits irrespective of whether they are distributed by way of dividend. Country Y levies corporate income tax at a rate of 20%. A, who is resident in Country X, pays a divided to B, who is resident in Country Y. B is required to pay corporate income tax on the dividend received from A, but a deduction can be made for the tax suffered on this dividend restricted to a rate of 20%.
Which method of relief for foreign tax does this describe?
A. Exemption
B. Deduction
C. Tax credit
D. Restricted
Answer: C

2.CORRECT TEXT
The following information is extracted from the statement of financial position for ZZ at 31 March 20X3:

	20X3	20X2
	$millior	$millior
Non-current assets		
Property, plant and equipment	350	320
Equity		
Revaluation reserve	200	100
Non-current liabilities		
Deferred tax	10	7
Current liabilities		
Income tax	26	22

Included within cost of sales in the statement of profit or loss for the year ended 31 March 20X3 is $20 million relating to the loss on the sale of plant and equipment which had cost $100 million in June 20X1.
Depreciation is charged on all plant and equipment at 25% on a straight line basis with a full year's depreciation charged in the year of acquisition and none in the year of sale.
The revaluation reserve relates to the revaluation of ZZ's property.
The total depreciation charge for property, plant and equipment in ZZ's statement of profit of loss for the year ended 31 March 20X3 is $80 million.
The corporate income tax expense in ZZ's statement of profit or loss for year ended 31 March 20X3 is $28 million.
ZZ is preparing its statement of cash flows for the year ended 31 March 20X3.

What figure should be included for corporate income tax paid in order to arrive at the net cash flow from operating activities?
Give your answer to the nearest $ million.
Answer: $21 million

3.The following information relates to ABC.

	30 June 20X3	30 June 20X2
Trade receivable days	72	48

Which of the following would be a reason for the movement in the trade receivable days?
A. A new credit controller was appointed during the year ended 30 June 20X3 who has been chasing customers for payment.
B. A system of early settlement discount was introduced during the year ended 30 June 20X3 which was taken up by quite a few customers.
C. One customer who regularly took 120 days to pay their invoices stopped buying goods from ABC during the year ended 30 June 20X3.
D. It was decided during the year ended 30 June 20X3 to stop undertaking credit checks on new customers.
Answer: D

4.HOTSPOT
LM manufactures a range of bicycles and holds an inventory of certain bicycle parts.
Part number F554 costs LM $8.00 per unit. LM expects to use 12,000 units of part F554 per year and normally orders a month's supply at a time. Ordering costs have been calculated at $150 per order and inventory holding costs have been estimated at $5.75 per unit per year. The supplier of part number F554 has offered a 1% discount off the purchase price if each order is for 1500 units or more or a 2% discount off the purchase price if each order is for 2,000 units or more.

Advise LM as to which of the following quantities of F554 is most cost-effective to order at any one time.

Select...

Select...
LM should order 1000 units
LM should order 1500 units
LM should order 2000 units

Answer:

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Advise LM as to which of the following quantities of F554 is most cost-effective to order at any one time.

Select...

Select...
LM should order 1000 units
LM should order 1500 units
LM should order 2000 units

5.CORRECT TEXT
The following information is extracted from the trial balance of YY at 30 September 20X3.

	Note	$million	$million
Revenue	i		345
Inventory at 1 October 20X2	ii	26	
Purchases		149	
Trade payables			32
10% loan repayable 20X9			180
Interest paid		14	
Interest free loan	iii		90
Bank			11

i. Included in revenue is a refundable deposit of $20 million for a sales transaction that is due to take place on 14 October 20X3.
ii. The cost of closing inventory is $28 million, however, the net realisable value is estimated at $25 million.
iii. The interest free loan was obtained on 1 January 20X3. The loan is repayable in 12 quarterly installments starting on 31 March 20X3. All installments to date have been paid on time.
Calculate the figure that should be included within non-current liabilities in YY's statement of financial position at 30 September 20X3 in respect of both of the loans outstanding at the year end?
Give your answer to the nearest $ million.
Answer: $230 million