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QUESTION & ANSWER

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Exam : **CIMA-PRO11-C02-1-ENG**

Title : C02 Fundamentals of
Financial Accounting

Version : DEMO

1.Accounting records should be kept by all businesses for many reasons.
Which THREE of the following are reasons for keeping accounting records?

- A.Aids the efficient running of a business
- B.Indicates how successfully managers are performing
- C.To aid the application of bank loans
- D.To reassure employees
- E.Provides information about the resources and activities of a business
- F.In case of potential takeovers

Answer: A B E

2.The main aim of financial accounting is to:

- A.Maintain ledger accounts for every asset and liability
- B.Provide financial information to satisfy the needs of users of accounts
- C.Ensure that double-entry records are maintained
- D.Record every financial transaction in the books of account

Answer: B

3.Which of the following is the best definition of the objective of accounting?

- A.To control the assets, liabilities and performance of the entity
- B.To calculate taxation due to the tax authority
- C.To record, categorise and summarise business transactions
- D.To provide useful information to users

Answer: D

4.Which one of the following statements best describes the usefulness of the income statement account of a company:

- A.To evaluate its profitability over the past year
- B.To assess its potential profitability for the coming year
- C.To assess management performance over the past year
- D.To evaluate the return on capital employed

Answer: A

5.Different users have different needs from financial information. One of which is to assess how effectively management is performing and how much profit will be available to be distributed.

Which of the following users will have this need for information?

- A.Managers
- B.Suppliers
- C.Lenders
- D.Shareholders

Answer: D

6.Different users have different needs from financial information. One of which is to know about the company's ability pay its debts.

Which of the following users will have this need for information?

- A.Managers
- B.Suppliers
- C.Customers
- D.Shareholders

Answer: B

7.Accounting information is required for a wide range of users both internal and external. Each user has a different need for the information.

Which of the following is the correct combination of user and need?

	User	Need
a)	Managers	Ability to meet interest payments
b)	Shareholders	Assess tax payable by the business
c)	Suppliers	Assess the business ability to pay
d)	Employees	Assess the efficiency of management

- A.A
- B.B
- C.C
- D.D

Answer: C

8.Which of the following is not an external user of financial statements?

- A.auditor
- B.shareholder
- C.creditor
- D.director

Answer: D

9.Which of the following would be a role of the financial accountant?

- A.Meeting management reporting requirements
- B.Monitoring actual results to expected results
- C.Meeting external reporting requirements
- D.Producing budgets for the future

Answer: C

10.Which of the following is not a correct definition of the accounting equation?

- A.Assets = Capital + Liabilities
- B.Capital = Assets + Liabilities
- C.Liabilities = Assets - Capital
- D.Capital = Assets - Liabilities

Answer: B

11.The Accounting Standards Board is responsible for:

- A.Producing the Companies Act
- B.Governing the activities of the external auditors
- C.Producing International Accounting Standards
- D.Producing Financial Reporting Standards

Answer: D

12.Which THREE of the following are characteristics of financial accounting?

- A.Records daily transactions
- B.Monitors actual results to expected results
- C.Meets external reporting requirements
- D.Reports historic transactions
- E.Meets management reporting needs
- F.Is forward looking

Answer: A C D

13.Which THREE of the following are characteristics of management accounting?

- A.Focuses on departmental information
- B.Monitors actual results to expected results
- C.Meets external reporting requirements
- D.Reports historic transactions
- E.Used by tax authorities
- F.Is forward looking

Answer: A B F

14.Which one of the following would not be considered one of the roles of a Financial Accountant?

- A.Preparation of statement of cash flows
- B.Preparation of annual budgets
- C.Reconciliation of ledger accounts
- D.Recording of financial transactions

Answer: B

15.Which ONE of the following does not apply to the preparation of management accounts?

- A.Prepared annually, summarising financial performance
- B.Prepared frequently throughout the year
- C.Prepared mainly for internal users of accounting information
- D.Prepared to show the detailed costs of manufacturing and trading

Answer: A

16.Which of the following would be a role of the management accountant?

- A.Reporting historic transactions
- B.Monitoring actual results to expected results
- C.Meeting external reporting requirements

D.Producing financial statements

Answer: B

17.Which one of the following best describes the stewardship function?

A.Maximising profits

B.Ensuring the recording, controlling and safeguarding of assets

C.Managing cash

D.Carrying out an external audit

Answer: B

18.The accounting concept which states that non-current assets should be valued at cost (or valuation) less accumulated depreciation, rather than their saleable value in the event of closure, is the:

A.Net realisable value concept

B.Realisation concept

C.Prudence concept

D.Going concern concept

Answer: D

19.The accounting concept to be considered when the owner of a business uses business funds to pay for his private household expenses, is the:

A.Money measurement concept

B.Prudence concept

C.Separate entity concept

D.Realisation concept

Answer: C

20.Which of the following explains the concept of capital maintenance?

A.the cost of maintaining an entity's non-current assets in good working condition

B.the cost of replacing an entity's non-current assets

C.the raising of new capital by the issue of shares

D.retaining sufficient profits to ensure that closing net assets are at least equal in value to net assets at the beginning of the period

Answer: D