

- Q-1.** An analyst gathered the following information about a company:
- 10,00,000 common shares outstanding from the beginning of the year.
 - Earnings of \$1,250,000.
 - 1,000 preferred stocks, which pay fixed dividend of 7% each year, and its face value is \$1000 for each preferred stock
 - These preferred stocks can be converted into 25 shares each, and these stocks are outstanding as of the beginning of the year.
 - The tax rate is 40%.

The company's diluted EPS is closest to:

- A. \$1.21.
B. \$1.18.
C. \$1.25.

- Q-2.** The following relates to a company's common equity over the course of the year:

Outstanding shares, at start of the year	2,000,000	
Stock options outstanding, at start and end of the year	100,000	Exercise price: \$5.00
Shares issued on April 1	300,000	
Shares repurchased (treasury shares) on July 1	100,000	
Average market price of common shares for the year		\$20/share

If the company's net income for the year is \$5,000,000, its diluted EPS is closest to:

- A. \$2.17.
B. \$2.20.
C. \$2.22.

- Q-3.** The following information is available on a company for the current year.

Net income	\$1,000,000
Average number of common shares outstanding	100,000
Details of convertible securities outstanding:	
Convertible preferred shares outstanding	2,000
Dividend/share	\$10
Each preferred share is convertible into 5 shares of common stock	
Convertible bonds, \$100 face value per bond	\$80,000
8% coupon	
Each bond is convertible into 25 shares of common stock	
Corporate tax rate	40%

The company's diluted EPS is closest to:

- A. \$7.72.
- B. \$7.57.
- C. \$7.69.

Q-4. The following data is available on a company for the current year:

Metric	(£'000)
Comprehensive income	246,000
Dividends paid	60,000
Ending retained earnings	821,000
Opening retained earnings	580,000

The company will most likely report other comprehensive income (OCI) (in £'000) as a:

- A. gain of 186,000.
- B. gain of 301,000.
- C. loss of 55,000.

Q-5. Which of the following is the least appropriate accounting treatment for marketable securities under IAS No. 39?

	Category	Measurement Method	Realized Gains & Losses Reported In
A.	Trading	Fair Value	Income Statement
B.	Available for sale	Fair Value	Equity
C.	Held to Maturity	Amortized Cost	Income Statement