

Session 1: Fundamentals – Full Examination Paper (Descriptive & Case-Based)

CPA British Council®

Session 1: Fundamentals

Examination Paper – Descriptive / Case-Based

Time Allowed: 3 Hours

Maximum Marks: 100

INSTRUCTIONS TO CANDIDATES:

1. All questions are compulsory.
 2. Answer all questions in English.
 3. Begin each answer on a new page.
 4. Clearly number each answer as per the question number.
 5. Use appropriate accounting, legal, and ethical principles where required.
 6. Show all workings, where applicable.
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SECTION A – CASE STUDY QUESTIONS

(Total: 40 Marks)

Answer all questions. Each question carries 20 marks.

Question 1 – Financial Accounting (20 Marks)

EcoLife Ltd. is a mid-sized company engaged in sustainable product manufacturing. The company recently acquired new machinery worth AED 1,000,000 and financed it through a bank loan. During the year, it faced cash flow issues but still declared dividends.

Required:

- a) Discuss the accounting treatment of the machinery purchase under IAS 16.
 - b) Evaluate the ethical and financial implications of declaring dividends during a cash crisis.
 - c) Prepare the journal entries for machinery purchase and dividend declaration.
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Question 2 – Business Law & Ethics (20 Marks)

Sarah, an internal auditor at GreenTech Ltd., discovers that the management has intentionally delayed reporting contingent liabilities. She is pressured to remain silent to "protect the company's image."

Required:

- a) Identify the legal issues involved in this scenario.
 - b) Analyze Sarah's ethical obligations under the IESBA Code of Ethics.
 - c) Suggest the appropriate professional course of action.
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SECTION B – DESCRIPTIVE ESSAY QUESTIONS

(Total: 60 Marks)

Answer all questions.

Question 3 – Economics & Business Environment (15 Marks)

Explain the concept of inflation and its impact on business decision-making. Illustrate your answer with practical examples of how inflation affects pricing, wages, and capital investments.

Question 4 – Financial Accounting & Reporting (15 Marks)

Differentiate between the cash basis and the accrual basis of accounting. Provide examples for each and explain why accrual accounting offers a more accurate representation of financial performance.

Question 5 – Quantitative Methods (15 Marks)

A company is analyzing the relationship between advertising expenditure and sales using linear regression.

Required:

- a) Define the concept of regression analysis.
 - b) Describe the steps involved in performing linear regression.
 - c) Discuss how this tool assists in business decision-making.
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Question 6 – Business Law (10 Marks)

Define the term "contract" under business law. Explain the essential elements of a valid contract and provide one example of a contract that may be declared void.

End of Paper