MGT401
(Financial Accounting – II)

Important mcqs

Lec 1 - Types of Business Entities

1. **Which of the following is a type of business entity that offers limited liability protection to its owners?** A) Sole proprietorship B) Partnership C) Limited liability company (LLC) D) Corporation Answer: C

2. **Which type of business entity is owned and operated by a single individual?** A) Partnership B) LLC C) Corporation D) Sole proprietorship Answer: D

3. **Which type of business entity is taxed as a pass-through entity, meaning that the profits and losses are passed through to the owners' personal tax returns?** A) Corporation B) Partnership C) LLC D) Sole proprietorship Answer: B

4. **Which of the following is a type of business entity that is owned and operated by two or more individuals?** A) Sole proprietorship B) Partnership C) LLC D) Corporation Answer: B

5. **Which type of business entity allows for an unlimited number of owners and has the ability to issue stock?** A) Sole proprietorship B) Partnership C) LLC D) Corporation Answer: D

6. **Which of the following is a type of business entity that combines the liability protection of a corporation with the tax benefits of a partnership?** A) Sole proprietorship B) Partnership C) LLC D) Corporation Answer: C

7. **Which type of business entity is often used by professional service providers, such as doctors and lawyers?** A) Sole proprietorship B) Partnership C) LLC D) Corporation Answer: C

8. **Which of the following types of business entities is governed by a board of directors?** A) Sole proprietorship B) Partnership C) LLC D) Corporation Answer: D

9. **Which type of business entity requires a formal written agreement, outlining the terms of ownership and management?** A) Sole proprietorship B) Partnership C) LLC D) Corporation Answer: B

10. **Which of the following types of business entities allows for profit sharing between its owners?** A) Sole proprietorship B) Partnership C) LLC D) Corporation Answer: B

Lec 2 - Formation of Companies and Meetings

1. **Which of the following is a required legal document for the formation of a company?**
   a) Memorandum of Association
   b) Balance Sheet
   c) Annual Report
   d) Income Statement

Answer: a) Memorandum of Association

2. **What is the minimum number of directors required for the formation of a private company?**
   a) 1
   b) 2
   c) 3
   d) 4

Answer: a) 1

3. **What is the maximum number of shareholders allowed in a private limited company?**
   a) 50
   b) 100
   c) 200
   d) No maximum limit

Answer: a) 50

4. **Which of the following is a type of general meeting in a company?**
   a) Board meeting
   b) Annual General Meeting
   c) Committee meeting
   d) Executive meeting

Answer: b) Annual General Meeting

5. **Which of the following documents is used to record the minutes of a meeting?**
   a) Memorandum of Association
   b) Balance Sheet
   c) Resolution
   d) Minutes of Meeting

Answer: d) Minutes of Meeting

6. **Which of the following is a type of resolution passed in a company?**
   a) Ordinary Resolution
   b) Special Resolution
   c) Emergency Resolution
   d) Annual Resolution

Answer: b) Special Resolution

7. **Who is responsible for calling a board meeting in a company?**
a) Chairman of the board
b) CEO of the company
c) Company secretary
d) All of the above

Answer: a) Chairman of the board

8. **Which of the following is a type of notice required for calling a general meeting in a company?**
a) 24 hours notice
b) 48 hours notice
c) 14 days notice
d) 1 month notice

Answer: c) 14 days notice

9. **Which of the following is a type of share capital in a company?**
a) Authorised Share Capital
b) Paid-up Share Capital
c) Called-up Share Capital
d) All of the above

Answer: d) All of the above

10. **Which of the following is a type of company that can be formed with unlimited liability?**
a) Private Limited Company
b) Public Limited Company
c) Sole Proprietorship
d) Partnership Firm

Answer: d) Partnership Firm

Lec 3 - Relationships between Companies

1. **What is a joint venture?**
A) A company acquiring another company
B) A partnership between two or more companies to pursue a specific project
C) A company merging with another company
Answer: B

2. **What is a merger?**
A) A partnership between two or more companies to pursue a specific project
B) A company acquiring another company
C) A company combining with another company to form a new entity
Answer: C

3. **What is an acquisition?**
A) A company acquiring another company
B) A partnership between two or more companies to pursue a specific project
C) A company merging with another company
Answer: A

4. **What is a strategic alliance?**
A) A company acquiring another company
B) A partnership between two or more companies to pursue a specific project
C) A company merging with another company
Answer: B

5. **Which of the following is a potential risk of a merger or acquisition?**
A) Increased market share
B) Cultural differences
C) Access to new technologies
Answer: B

6. **Which of the following is a potential benefit of a strategic alliance?**
A) Access to new markets
B) Complete control over the project
C) Acquisition of new technologies
Answer: A

7. **What is a horizontal merger?**
A) A merger between two companies in the same industry
B) A merger between two companies in different industries
C) A merger between a company and its supplier
Answer: A

8. **What is a vertical merger?**
A) A merger between two companies in different industries
B) A merger between a company and its supplier
C) A merger between two companies in the same industry
Answer: B

9. **What is a conglomerate merger?**
A) A merger between two companies in the same industry

B) A merger between two companies in different industries
C) A merger between a company and its supplier
Answer: B

10. **What is a hostile takeover?**
A) A takeover that is approved by the target company's management
B) A takeover that is opposed by the target company's management
C) A takeover that is done through a friendly negotiation process
Answer: B

Lec 4 - Preparation and Presentation of Financial statements

1. **Which of the following financial statements reports a company's financial position at a specific point in time?**
   A) Income statement
   B) Statement of cash flows
   C) Statement of changes in equity
   D) Balance sheet
   Answer: D

2. **Which financial statement shows a company's revenues, expenses, and net income for a specific period?**
   A) Balance sheet
   B) Statement of changes in equity
   C) Statement of cash flows
   D) Income statement
   Answer: D

3. **Which of the following is not a component of the balance sheet?**
   A) Assets
   B) Liabilities
   C) Equity
   D) Expenses
   Answer: D

4. **Which financial statement reports a company's sources and uses of cash for a specific period?**
   A) Income statement
   B) Statement of changes in equity
   C) Balance sheet
   D) Statement of cash flows
   Answer: D

5. **Which financial statement shows the changes in a company's equity over a specific period?**
   A) Balance sheet
   B) Income statement
   C) Statement of cash flows
   D) Statement of changes in equity
   Answer: D

6. **Which of the following financial statements is prepared first?**
   A) Balance sheet
   B) Income statement
   C) Statement of cash flows
   D) Statement of changes in equity
   Answer: B

7. **Which accounting principle requires that expenses be recognized in the same period as the revenue they help generate?**
   A) Going concern principle
   B) Matching principle

C) Conservatism principle
D) Materiality principle
Answer: B

8. **Which of the following financial statements reports a company's retained earnings?**
A) Income statement
B) Balance sheet
C) Statement of cash flows
D) Statement of changes in equity
Answer: D

9. **Which of the following financial statements does not report a company's net income?**
A) Income statement
B) Statement of changes in equity
C) Statement of cash flows
D) Balance sheet
Answer: D

10. **Which financial statement reports the cash inflows and outflows from a company's operating, investing, and financing activities?**
A) Balance sheet
B) Income statement
C) Statement of cash flows
D) Statement of changes in equity
Answer: C

Lec 5 - Property, Plant and Equipment

1. **What is Property, Plant, and Equipment (PP&E)?**
A) Short-term assets used in a company's operations.
B) Tangible, long-term assets used in a company's operations.
C) Intangible, long-term assets used in a company's operations.
D) Short-term liabilities of a company.

Answer: B

2. **Which of the following assets is considered part of PP&E?**
A) Cash
B) Inventory
C) Land
D) Accounts Receivable

Answer: C

3. **What is the purpose of recording depreciation on PP&E?**
A) To reduce the asset's carrying value over time.
B) To increase the asset's carrying value over time.
C) To recognize the asset's market value.
D) To recognize the asset's potential future value.

Answer: A

4. **Which depreciation method calculates depreciation expense based on the asset's usage?**
A) Straight-line method
B) Double-declining balance method
C) Units-of-production method
D) Sum-of-the-years'-digits method

Answer: C

5. **When does a company recognize a gain or loss on the disposal of PP&E?**
A) When the asset is sold for more than its carrying value.
B) When the asset is sold for less than its carrying value.
C) When the asset is sold for its carrying value.
D) A and B.

Answer: D

6. **What is a useful life?**
A) The length of time an asset is expected to be used in a company's operations.
B) The time period when a company can legally own an asset.
C) The period of time when a company can generate revenue from an asset.
D) The amount of time it takes for an asset to become obsolete.

Answer: A

7. **What is salvage value?**
   A) The estimated amount a company will receive when it sells an asset.
   B) The cost of maintaining an asset.
   C) The residual value of an asset at the end of its useful life.
   D) The amount a company paid for an asset.

Answer: C

8. **How does the acquisition of PP&E affect a company's cash flow statement?**
   A) It does not affect the cash flow statement.
   B) It increases the cash flow from operating activities.
   C) It decreases the cash flow from operating activities.
   D) It increases the cash flow from investing activities.

Answer: D

9. **Which of the following is not an example of PP&E?**
   A) Trademarks
   B) Buildings
   C) Machinery
   D) Vehicles

Answer: A

10. **How does a company account for major improvements to PP&E?**
   A) It adds the cost of the improvement to the asset's carrying value.
   B) It records the cost of the improvement as an expense.
   C) It records the cost of the improvement as revenue.
   D) It records the cost of the improvement as a liability.

Answer: A

Lec 6 - Revaluation of Assets

1. **What is the purpose of revaluation of assets?**
   A) To increase the carrying value of assets
   B) To update the value of assets to reflect their current market value
   C) To decrease the accumulated depreciation of assets
   D) None of the above

Answer: B

2. **What types of assets can be revalued?**
   A) Tangible assets only
   B) Intangible assets only
   C) Both tangible and intangible assets
   D) None of the above

Answer: C

3. **How often is revaluation of assets typically performed?**
   A) Annually
   B) Every five years
   C) Every ten years
   D) It varies by company

Answer: D

4. **What impact does revaluation have on a company's balance sheet?**
   A) It does not impact the balance sheet
   B) It increases the value of assets and equity
   C) It decreases the value of assets and equity
   D) It depends on the specific assets being revalued

Answer: B

5. **How is the revaluation gain or loss recorded on a company's financial statements?**
   A) As a revenue or expense on the income statement
   B) As an adjustment to the carrying value of the asset on the balance sheet
   C) Both A and B
   D) None of the above

Answer: B

6. **What is the impact of revaluation on accumulated depreciation?**
   A) It increases accumulated depreciation
   B) It decreases accumulated depreciation
   C) It has no impact on accumulated depreciation
   D) It depends on the specific assets being revalued

Answer: D

7. **What is the difference between fair value and revalued amount?**
A) There is no difference
B) Fair value reflects the current market value, while revalued amount reflects the value determined by the company
C) Revalued amount reflects the current market value, while fair value reflects the value determined by the company
D) None of the above

Answer: B

8. **How is revaluation loss treated in the financial statements?**
A) It is recorded as a revenue on the income statement
B) It is recorded as an expense on the income statement
C) It is recorded as a reduction to equity on the balance sheet
D) It is not recorded on the financial statements

Answer: C

9. **What is the purpose of revaluation reserve?**
A) To track changes in the value of revalued assets
B) To record any revaluation gains or losses
C) To prevent companies from manipulating the value of their assets
D) All of the above

Answer: D

10. **When can a company revalue its assets?**
A) Anytime it wants
B) Only when there is a significant change in the asset's value
C) Only when required by accounting standards or regulations
D) Only when the company is preparing to sell the asset

Answer: C

Lec 7 - Property, Plant & Equipment and Borrowing Cost

1. **Which of the following assets are typically considered as Property, Plant & Equipment (PP&E)?**
   A) Investments in stocks
   B) Accounts receivables
   C) Land
   D) Cash and cash equivalents

Answer: C) Land

2. **How should a company account for the cost of improvements to its PP&E?**
   A) As an expense in the period incurred
   B) As an addition to the cost of the PP&E asset
   C) As a separate line item in the income statement
   D) As a reduction in the carrying amount of the PP&E asset

Answer: B) As an addition to the cost of the PP&E asset

3. **Which of the following would NOT be considered as borrowing costs?**
   A) Interest on loans used to finance the construction of a new factory
   B) Fees paid to arrange a loan for the acquisition of PP&E
   C) Interest on a bank overdraft used to purchase inventory
   D) Interest on a loan used to purchase a building that will be leased out to tenants

Answer: C) Interest on a bank overdraft used to purchase inventory

4. **How should a company account for borrowing costs related to qualifying assets?**
   A) As an expense in the period incurred
   B) As a reduction in the carrying amount of the qualifying asset
   C) As a separate line item in the income statement
   D) As an addition to the cost of the qualifying asset

Answer: D) As an addition to the cost of the qualifying asset

5. **What is the purpose of depreciating PP&E assets?**
   A) To report the market value of the assets
   B) To allocate the cost of the assets over their useful lives
   C) To reduce the carrying amount of the assets
   D) To increase the marketability of the assets

Answer: B) To allocate the cost of the assets over their useful lives

6. **Which of the following depreciation methods results in a higher depreciation expense in the early years of an asset's life?**
   A) Straight-line method
   B) Double-declining balance method
   C) Units-of-production method
   D) Sum-of-the-years'-digits method

Answer: B) Double-declining balance method

7. **How should a company account for the disposal of a PP&E asset?**
   A) Record the sale price as revenue and reduce the carrying amount of the asset
   B) Record the sale price as revenue and leave the carrying amount of the asset unchanged
   C) Record a gain or loss on disposal in the income statement
   D) Ignore the disposal and continue to depreciate the asset

Answer: C) Record a gain or loss on disposal in the income statement

8. **How should a company account for borrowing costs that do not relate to qualifying assets?**
   A) As an expense in the period incurred
   B) As a reduction in the carrying amount of the qualifying asset
   C) As a separate line item in the income statement
   D) As an addition to the cost of the qualifying asset

Answer: A) As an expense in the period incurred

9. **How should a company account for repairs and maintenance costs to its PP&E?**
   A) As an expense in the period incurred
   B) As an addition to the cost of the PP&E asset
   C) As a reduction in the carrying amount of the PP&E asset
   D) As a separate line item in the income statement

Answer: A) As an expense in the period incurred

10. **Which of the following is NOT a factor that determines the amount of borrowing costs that can be capitalized?**
    A) The amount of interest incurred on the borrowing
    B) The

Lec 8 - Intangible Assets – Companies Ordinance 1984

1. **Which of the following is an example of an intangible asset?**
   a) Building
   b) Machinery
   c) Patent
   d) Inventory
   Answer: c) Patent

2. **Which ordinance defines intangible assets in Pakistan?**
   a) Companies Ordinance 1984
   b) Income Tax Ordinance 2001
   c) Sales Tax Act 1990
   d) Customs Act 1969
   Answer: a) Companies Ordinance 1984

3. **Which of the following is required for companies to disclose in their financial statements?**
   a) Tangible assets only
   b) Intangible assets only
   c) Both tangible and intangible assets
   d) None of the above
   Answer: c) Both tangible and intangible assets

4. **What is the maximum period for which acquired goodwill can be amortized under the Companies Ordinance 1984?**
   a) 5 years
   b) 10 years
   c) 15 years
   d) 20 years
   Answer: b) 10 years

5. **Which of the following is not an example of an intangible asset?**
   a) Trademark
   b) Copyright
   c) Land
   d) Goodwill
   Answer: c) Land

6. **Which of the following is subject to impairment testing?**
   a) Tangible assets only
   b) Intangible assets only
   c) Both tangible and intangible assets
   d) None of the above
   Answer: c) Both tangible and intangible assets

7. **Which of the following must be justified to amortize acquired goodwill over a period longer than 10 years?**
   a) Change in accounting policies
   b) Change in management
   c) Change in business strategy
   d) Change in market conditions

Answer: c) Change in business strategy

8. **Which of the following is an example of an intangible asset that can be amortized?**
a) Patent
b) Trademark
c) Goodwill
d) Copyright
Answer: c) Goodwill

9. **Which of the following is not required for proper disclosure of intangible assets?**
a) Identification of the asset
b) Measurement of the asset
c) Classification of the asset
d) None of the above
Answer: d) None of the above

10. **Which of the following is not required for impairment testing of intangible assets?**
a) Calculation of recoverable amount
b) Calculation of carrying amount
c) Calculation of depreciation expense
d) Comparison of recoverable amount and carrying amount
Answer: c) Calculation of depreciation expense

Lec 9 - Intangible Assets – IAS 38 & Investment in Associates

1. **Under IAS 38, what is the maximum amortization period for intangible assets?**
   a) 5 years
   b) 10 years
   c) 15 years
   d) 20 years
   Answer: b) 10 years

2. **Which of the following is an example of an intangible asset?**
   a) Land
   b) Machinery
   c) Patents
   d) Inventory
   Answer: c) Patents

3. **Under IAS 38, how should research costs be treated?**
   a) Expensed as incurred
   b) Capitalized as an intangible asset
   c) Recorded as a liability
   d) None of the above
   Answer: a) Expensed as incurred

4. **What is the accounting treatment for goodwill under IAS 38?**
   a) Amortized over a period of 10 years
   b) Revalued annually
   c) Tested for impairment annually
   d) Written off immediately
   Answer: a) Amortized over a period of 10 years

5. **What is the maximum period for which goodwill can be amortized under IAS 38?**
   a) 5 years
   b) 10 years
   c) 15 years
   d) 20 years
   Answer: b) 10 years

6. **Which of the following is not an example of an intangible asset?**
   a) Trademark
   b) Copyright
   c) Investment in an associate
   d) Goodwill
   Answer: c) Investment in an associate

7. **What is an investment in associates?**
   a) An equity investment in a company in which the investor has control
   b) An equity investment in a company in which the investor has significant influence
   c) A debt investment in a company
   d) None of the above
   Answer: b) An equity investment in a company in which the investor has significant influence

8. **How should an investment in an associate be accounted for under IAS 28?**
   a) At cost less impairment
   b) At fair value
   c) Using the equity method
   d) None of the above
   Answer: c) Using the equity method

9. **What is the equity method of accounting?**
   a) An accounting method that records an investment in an associate at cost
   b) An accounting method that records an investment in an associate at fair value
   c) An accounting method that records an investment in an associate at the investor's share of the associate's net assets
   d) None of the above
   Answer: c) An accounting method that records an investment in an associate at the investor's share of the associate's net assets

10. **Which of the following is not an example of an intangible asset that can be recognized under IAS 38?**
    a) Brands
    b) Customer lists
    c) Goodwill
    d) Land
    Answer: d) Land

Lec 10 - Other Non Current Assets

1. **Which of the following is an example of other non-current assets?**
A) Land held for investment purposes
B) Machinery and equipment
C) Goodwill
D) Short-term investments

Answer: A) Land held for investment purposes

2. **How are other non-current assets reported on the balance sheet?**
A) Under the current assets section
B) Under the liabilities section
C) Under the non-current assets section
D) Under the equity section

Answer: C) Under the non-current assets section

3. **Which of the following is an example of long-term prepaid expenses?**
A) Insurance premiums paid for the next six months
B) Rent paid for the next month
C) Advertising expenses paid for the next year
D) Salaries paid for the current month

Answer: C) Advertising expenses paid for the next year

4. **What are deferred tax assets?**
A) Assets that are recorded at a higher value than their fair market value
B) Assets that arise due to temporary differences between accounting and tax rules
C) Assets that are used in the production of goods and services
D) Assets that are purchased for investment purposes

Answer: B) Assets that arise due to temporary differences between accounting and tax rules

5. **Which of the following is an example of long-term receivables?**
A) Amounts owed by customers for goods or services sold on credit
B) Amounts owed by suppliers for goods or services purchased on credit
C) Amounts owed by employees for advances or loans
D) Amounts owed by the government for taxes paid in excess

Answer: A) Amounts owed by customers for goods or services sold on credit

6. **How are other non-current assets typically amortized?**
A) Straight-line method
B) Double-declining balance method
C) Sum-of-the-years'-digits method
D) They are not typically amortized

Answer: D) They are not typically amortized

7. **How often are other non-current assets tested for impairment?**
A) Monthly
B) Quarterly
C) Annually
D) It depends on the nature of the asset

Answer: D) It depends on the nature of the asset

8. **Which of the following is an example of an intangible other non-current asset?**
A) Long-term investments in marketable securities
B) Prepaid expenses for a period exceeding one year
C) Trademarks and patents
D) Inventories held for more than one year

Answer: C) Trademarks and patents

9. **What is the purpose of accounting for other non-current assets?**
A) To increase net income
B) To decrease taxes owed
C) To provide accurate financial reporting
D) To reduce liabilities

Answer: C) To provide accurate financial reporting

10. **How are other non-current assets typically valued?**
A) At cost less accumulated depreciation
B) At fair value less accumulated depreciation
C) At market value less accumulated depreciation
D) At replacement cost less accumulated depreciation

Answer: B) At fair value less accumulated depreciation

Lec 11 - Inventories

1. **Which inventory costing method assumes that the first items purchased are the first ones sold?**
   a) First-In-First-Out (FIFO)
   b) Last-In-First-Out (LIFO)
   c) Weighted Average
   d) Specific Identification

Answer: a) First-In-First-Out (FIFO)

2. **What is the cost of goods sold formula?**
   a) Beginning Inventory + Purchases - Ending Inventory
   b) Beginning Inventory - Purchases + Ending Inventory
   c) Beginning Inventory - Cost of Goods Sold + Ending Inventory
   d) Beginning Inventory + Cost of Goods Sold - Ending Inventory

Answer: d) Beginning Inventory + Cost of Goods Sold - Ending Inventory

3. **Which inventory valuation method results in the highest inventory valuation during inflationary periods?**
   a) FIFO
   b) LIFO
   c) Weighted Average
   d) Specific Identification

Answer: a) FIFO

4. **Which of the following statements about the Economic Order Quantity (EOQ) model is true?**
   a) It assumes that inventory ordering and holding costs are constant.
   b) It is a push-based inventory control system.
   c) It does not consider the impact of stockouts.
   d) It is only applicable to large organizations.

Answer: a) It assumes that inventory ordering and holding costs are constant.

5. **What is the reorder point formula?**
   a) Safety Stock + Lead Time
   b) Safety Stock - Lead Time
   c) Safety Stock x Lead Time
   d) Safety Stock / Lead Time

Answer: a) Safety Stock + Lead Time

6. **Which inventory control system is based on the premise that inventory should arrive just when it is needed for production?**
   a) Economic Order Quantity (EOQ)
   b) Just-In-Time (JIT)
   c) Material Requirements Planning (MRP)

d) Capacity Requirements Planning (CRP)

Answer: b) Just-In-Time (JIT)

7. **Which inventory classification method uses the 80/20 rule to identify the most important inventory items?**
   a) ABC analysis
   b) XYZ analysis
   c) VED analysis
   d) FSN analysis

Answer: a) ABC analysis

8. **Which of the following is a disadvantage of holding too much inventory?**
   a) Increased storage costs
   b) Increased stockouts
   c) Decreased customer satisfaction
   d) Increased production downtime

Answer: a) Increased storage costs

9. **What is the primary objective of inventory management?**
   a) Maximize inventory turnover
   b) Minimize inventory costs
   c) Maximize customer satisfaction
   d) Maximize inventory accuracy

Answer: b) Minimize inventory costs

10. **Which of the following is an example of a demand-based inventory control system?**
    a) Economic Order Quantity (EOQ)
    b) Material Requirements Planning (MRP)
    c) Just-In-Time (JIT)
    d) Kanban

Answer: d) Kanban

Lec 12 - Valuation of Inventories

1. **Which of the following is not a commonly used inventory valuation method?**
   a) FIFO
   b) LIFO
   c) Specific identification
   d) Random selection
   Answer: d) Random selection

2. **Under which inventory valuation method is the cost of the most recently purchased items used to value inventory?**
   a) FIFO
   b) LIFO
   c) Weighted average cost
   d) Specific identification
   Answer: b) LIFO

3. **Which of the following is true of the FIFO inventory valuation method?**
   a) It results in the highest cost of goods sold during times of rising prices.
   b) It results in the lowest net income during times of rising prices.
   c) It results in the highest gross profit during times of rising prices.
   d) It is not affected by changes in inventory levels.
   Answer: c) It results in the highest gross profit during times of rising prices.

4. **Which inventory valuation method assumes that the first items purchased are the first ones sold?**
   a) FIFO
   b) LIFO
   c) Specific identification
   d) Weighted average cost
   Answer: a) FIFO

5. **Which inventory valuation method results in a higher ending inventory value during times of rising prices?**
   a) FIFO
   b) LIFO
   c) Weighted average cost
   d) Specific identification
   Answer: a) FIFO

6. **Under the weighted average cost inventory valuation method, how is the weighted average cost calculated?**
   a) By dividing the total cost of inventory by the total number of units.
   b) By adding the cost of the most recently purchased units to the existing inventory cost.
   c) By multiplying the cost per unit by the number of units sold.
   d) By subtracting the cost of goods sold from the total cost of inventory.
   Answer: a) By dividing the total cost of inventory by the total number of units.

7. **Which inventory valuation method allows for the use of specific costs for specific units of inventory?**
   a) FIFO
   b) LIFO

c) Weighted average cost
d) Specific identification
Answer: d) Specific identification

8. **Which inventory valuation method is most commonly used for tax purposes in the United States?**
a) FIFO
b) LIFO
c) Weighted average cost
d) Specific identification
Answer: b) LIFO

9. **Which inventory valuation method is most commonly used for financial reporting purposes?**
a) FIFO
b) LIFO
c) Weighted average cost
d) Specific identification
Answer: a) FIFO

10. **How does the choice of inventory valuation method impact a company's financial statements?**
a) It does not impact the financial statements.
b) It can impact the cost of goods sold and net income.
c) It can impact inventory levels reported on the balance sheet.
d) It can impact the company's cash flow statement.
Answer: b) It can impact the cost of goods sold and net income.

Lec 13 - Current Assets, Fourth Schedule - Companies Ordinance 1984

1. **What are the components of current assets as per the Fourth Schedule of the Companies Ordinance 1984?**
   A) Cash and cash equivalents
   B) Accounts receivable
   C) Inventory
   D) All of the above
   Answer: D) All of the above

2. **According to the Fourth Schedule of the Companies Ordinance 1984, which of the following assets are considered non-current assets?**
   A) Land and buildings
   B) Long-term investments
   C) Patents and trademarks
   D) All of the above
   Answer: D) All of the above

3. **Under the Fourth Schedule of the Companies Ordinance 1984, how are current assets classified on the balance sheet?**
   A) In order of liquidity
   B) In order of maturity
   C) In alphabetical order
   D) None of the above
   Answer: A) In order of liquidity

4. **Which of the following is an example of a cash equivalent as per the Fourth Schedule of the Companies Ordinance 1984?**
   A) Accounts receivable
   B) Marketable securities
   C) Inventory
   D) Machinery and equipment
   Answer: B) Marketable securities

5. **What is the purpose of disclosing significant estimates or judgments made in determining the value of current assets?**
   A) To ensure accurate financial reporting
   B) To comply with legal requirements
   C) To attract investors
   D) None of the above
   Answer: A) To ensure accurate financial reporting

6. **Which of the following is an example of an inventory as per the Fourth Schedule of the Companies Ordinance 1984?**
   A) Land
   B) Buildings
   C) Raw materials
   D) None of the above
   Answer: C) Raw materials

7. **How often are companies required to present their financial statements as per the Fourth Schedule of the Companies Ordinance 1984?**

A) Annually
B) Biannually
C) Quarterly
D) Monthly
Answer: A) Annually

8. **What is the purpose of presenting current assets separately on the balance sheet?**
A) To facilitate analysis and decision-making
B) To comply with legal requirements
C) To avoid confusion
D) None of the above
Answer: A) To facilitate analysis and decision-making

9. **Which of the following is an example of an account receivable as per the Fourth Schedule of the Companies Ordinance 1984?**
A) Cash
B) Inventory
C) Advances to suppliers
D) None of the above
Answer: C) Advances to suppliers

10. **According to the Fourth Schedule of the Companies Ordinance 1984, what is the maximum time frame for an asset to be classified as a current asset?**
A) 6 months
B) 1 year
C) 2 years
D) 5 years
Answer: B) 1 year

Lec 14 - Presentation and Disclosure of Assets in Balance Sheet

1. **Which category of assets are expected to be converted into cash within one year or the normal operating cycle of the business?**
   a) Non-current assets
   b) Current assets
   c) Tangible assets
   d) Intangible assets

Answer: b) Current assets

2. **How should assets be presented in the balance sheet?**
   a) In random order
   b) In order of magnitude
   c) In order of liquidity
   d) In alphabetical order

Answer: c) In order of liquidity

3. **What should the balance sheet disclose about assets?**
   a) The exact amount of each asset
   b) Any restrictions on the use of assets
   c) The purchase price of each asset
   d) The future expected value of each asset

Answer: b) Any restrictions on the use of assets

4. **What is the purpose of proper presentation and disclosure of assets?**
   a) To make the balance sheet look more attractive
   b) To provide transparency and help users make informed decisions
   c) To hide information from stakeholders
   d) To confuse investors

Answer: b) To provide transparency and help users make informed decisions

5. **Which type of assets are not expected to be converted into cash within one year?**
   a) Current assets
   b) Non-current assets
   c) Tangible assets
   d) Intangible assets

Answer: b) Non-current assets

6. **What should be disclosed in the balance sheet about the value of assets?**
   a) The exact amount of each asset
   b) The method used to determine the value of each asset
   c) The expected future value of each asset
   d) The current market value of each asset

Answer: b) The method used to determine the value of each asset

7. **Which type of assets are physical items such as buildings and equipment?**
a) Current assets
b) Non-current assets
c) Tangible assets
d) Intangible assets

Answer: c) Tangible assets

8. **What does the disclosure of significant estimates or judgments made in determining the value of assets help with?**
a) It helps stakeholders understand the process used to value assets
b) It makes the balance sheet look more attractive
c) It hides information from stakeholders
d) It confuses investors

Answer: a) It helps stakeholders understand the process used to value assets

9. **Which category of assets can include items such as patents and copyrights?**
a) Current assets
b) Non-current assets
c) Tangible assets
d) Intangible assets

Answer: d) Intangible assets

10. **What is the purpose of presenting assets in the balance sheet?**
a) To hide information from stakeholders
b) To make the company look more profitable
c) To provide transparency and help users make informed decisions
d) To confuse investors

Answer: c) To provide transparency and help users make informed decisions

Lec 15 - Long Term Investments, Presentation and Disclosure

1. **Long-term investments are assets held by a company for a period exceeding:**
   a) 6 months
   b) 1 year
   c) 2 years
   d) 5 years
   Answer: b) 1 year

2. **Marketable securities are categorized as:**
   a) Short-term investments
   b) Long-term investments
   c) Non-marketable securities
   d) Both a and c
   Answer: b) Long-term investments

3. **Non-marketable securities include:**
   a) Stocks
   b) Bonds
   c) Loans to other companies
   d) Both a and b
   Answer: c) Loans to other companies

4. **Long-term investments should be presented in the balance sheet after:**
   a) Current assets
   b) Non-current assets
   c) Equity
   d) Liabilities
   Answer: b) Non-current assets

5. **The value of long-term investments should be disclosed in the:**
   a) Income statement
   b) Cash flow statement
   c) Balance sheet
   d) Statement of retained earnings
   Answer: c) Balance sheet

6. **Any restrictions on the use of long-term investments should be disclosed in the**:
   a) Income statement
   b) Cash flow statement
   c) Balance sheet
   d) Notes to financial statements
   Answer: d) Notes to financial statements

7. **The purpose and risks associated with long-term investments should be included in the:**
   a) Income statement
   b) Cash flow statement
   c) Balance sheet
   d) Notes to financial statements
   Answer: d) Notes to financial statements

8. **Long-term investments should be categorized as either:**
   a) Marketable or non-marketable
   b) Current or non-current
   c) Cash or non-cash
   d) Both a and b
   Answer: a) Marketable or non-marketable

9. **The disclosure of significant estimates or judgments made in determining the value of long-term investments is important to:**
   a) Provide transparency to stakeholders
   b) Meet regulatory requirements
   c) Enhance the company's image
   d) All of the above
   Answer: a) Provide transparency to stakeholders

10. **Proper presentation and disclosure of long-term investments is important to:**
    a) Improve investor confidence
    b) Attract financing
    c) Both a and b
    d) None of the above
    Answer: c) Both a and b

Lec 16 - Long Term Investments

1. **What is the typical time frame for long-term investments?**

A) 1-2 years
B) 3-5 years
C) 10 years or more
D) None of the above

Answer: C) 10 years or more

2. **Which of the following investments is typically considered a long-term investment?**

A) Savings account
B) Certificate of deposit (CD)
C) Stocks
D) All of the above

Answer: C) Stocks

3. **What is the primary goal of long-term investments?**

A) To generate short-term gains
B) To maximize current income
C) To build wealth over time
D) To minimize risk

Answer: C) To build wealth over time

4. **Which of the following investment strategies is typically associated with long-term investments?**

A) Buy and hold
B) Day trading
C) Swing trading
D) Option trading

Answer: A) Buy and hold

5. **Which of the following investment vehicles is typically associated with long-term investments?**

A) Mutual funds
B) Options
C) Futures
D) Forex

Answer: A) Mutual funds

6. **Which of the following statements is true about long-term investments?**

A) They are generally more volatile than short-term investments.
B) They offer higher returns than short-term investments.
C) They require frequent monitoring and trading.
D) They are focused on short-term gains.

Answer: B) They offer higher returns than short-term investments.

7. **What is the primary risk associated with long-term investments?**

A) Liquidity risk
B) Market risk
C) Inflation risk
D) Interest rate risk

Answer: B) Market risk

8. **Which of the following asset classes is typically associated with long-term investments?**

A) Real estate
B) Gold
C) Bonds
D) All of the above

Answer: D) All of the above

9. **Which of the following is a common strategy for managing risk in long-term investments?**

A) Diversification
B) Concentration
C) Market timing
D) Speculation

Answer: A) Diversification

10. **Which of the following is an example of a long-term investment goal?**

A) Saving for a vacation next year
B) Building a retirement fund
C) Paying off credit card debt
D) Buying a new car in six months

Answer: B) Building a retirement fund

Lec 17 - Risks & Disclosure under IAS 32 and 39 & Long Term Loans and

1. **Which of the following risks are required to be disclosed under IAS 32 and 39?**
   A) Credit risk
   B) Operational risk
   C) Market risk
   D) All of the above
   Answer: D) All of the above

2. **What is the primary goal of disclosures under IAS 32 and 39?**
   A) To protect the company from legal liability
   B) To provide transparency and accountability to investors
   C) To generate profits for the company
   D) To reduce the impact of risks on the company's financial performance
   Answer: B) To provide transparency and accountability to investors

3. **What is the importance of disclosures related to long-term loans?**
   A) To protect the company from default risk
   B) To inform investors about the risks associated with the loans
   C) To generate profits for the company
   D) To reduce the cost of borrowing for the company
   Answer: B) To inform investors about the risks associated with the loans

4. **Which of the following risks are associated with long-term loans?**
   A) Credit risk
   B) Interest rate risk
   C) Liquidity risk
   D) All of the above
   Answer: D) All of the above

5. **What is credit risk?**
   A) The risk that interest rates will increase
   B) The risk that a borrower will default on a loan
   C) The risk that the market value of an investment will decrease
   D) The risk that a company will run out of cash
   Answer: B) The risk that a borrower will default on a loan

6. **What is interest rate risk?**
   A) The risk that a borrower will default on a loan
   B) The risk that interest rates will increase
   C) The risk that the market value of an investment will decrease
   D) The risk that a company will run out of cash
   Answer: B) The risk that interest rates will increase

7. **What is liquidity risk?**
   A) The risk that a borrower will default on a loan
   B) The risk that interest rates will increase
   C) The risk that a company will run out of cash
   D) The risk that an investment cannot be sold quickly enough to meet cash needs
   Answer: D) The risk that an investment cannot be sold quickly enough to meet cash needs

8. **What is market risk?**
A) The risk that a borrower will default on a loan
B) The risk that interest rates will increase
C) The risk that the market value of an investment will decrease
D) The risk that a company will run out of cash
Answer: C) The risk that the market value of an investment will decrease

9. **What is the fair value of a financial instrument?**
A) The amount of cash that can be obtained by selling the instrument in the market
B) The face value of the instrument
C) The book value of the instrument
D) The market value of the issuer's stock
Answer: A) The amount of cash that can be obtained by selling the instrument in the market

10. **Why is it important for companies to provide clear and concise information in their disclosures?**
A) To avoid legal liability
B) To reduce the impact of risks on the company's financial performance
C) To ensure transparency and accountability to investors
D) To maximize profits for the company
Answer: C) To ensure transparency and accountability to investors

Lec 18 - Long Term Deposits and Prepayments & Current Assets

1. **Which of the following is an example of a long-term deposit?**
   a. Accounts receivable
   b. Inventory
   c. Property, plant, and equipment
   d. Cash in the bank
   Answer: c

2. **Long-term deposits are typically held for how long?**
   a. Less than one year
   b. One to three years
   c. More than three years
   d. It depends on the nature of the deposit
   Answer: c

3. **Prepaid expenses are an example of which type of asset?**
   a. Long-term asset
   b. Current asset
   c. Non-current asset
   d. Intangible asset
   Answer: a

4. **Which of the following is an example of a current asset?**
   a. Land held for investment purposes
   b. A building owned by the company
   c. Accounts payable
   d. Patents and trademarks
   Answer: c

5. **Cash and cash equivalents are an example of which type of asset?**
   a. Long-term asset
   b. Current asset
   c. Fixed asset
   d. Intangible asset
   Answer: b

6. **Which of the following is an example of a prepayment?**
   a. Rent paid in advance
   b. Salary paid to an employee
   c. Interest received from a bank
   d. Sales revenue earned from customers
   Answer: a

7. **Current assets are important for a company because they help to:**
   a. Increase the value of the company
   b. Support ongoing operations
   c. Generate long-term revenue
   d. Pay off long-term debts
   Answer: b

8. **Which of the following is an example of a non-current asset?**
   a. Inventory
   b. Cash in the bank
   c. Land held for investment purposes
   d. Accounts payable
   Answer: c

9. **Which of the following is an example of a long-term deposit?**
   a. Payment made for inventory
   b. Payment made for a loan
   c. Payment made for property taxes
   d. Payment made for advertising expenses
   Answer: b

10. **Which of the following is an example of a current asset?**
   a. Machinery owned by the company
   b. Patent owned by the company
   c. Inventory held for sale
   d. Land held for investment purposes
   Answer: c

Lec 19 - IASB's Framework

1. **What is the purpose of the IASB's Framework?**
   a. To provide guidance on the preparation and presentation of financial statements.
   b. To provide guidance on the management of a company's assets.
   c. To provide guidance on the collection of financial data.

Answer: a

2. **What are the key concepts and principles in the IASB's Framework?**
   a. Reliability, relevance, comparability, and understandability.
   b. Efficiency, profitability, liquidity, and solvency.
   c. Sustainability, social responsibility, and ethics.

Answer: a

3. **What does the IASB's Framework provide guidance on?**
   a. The recognition, measurement, and disclosure of assets, liabilities, income, and expenses.
   b. The hiring and management of employees.
   c. The development of marketing strategies.

Answer: a

4. **What is the importance of the IASB's Framework?**
   a. It ensures that financial statements are reliable, relevant, comparable, and understandable to users.
   b. It promotes the efficient use of company resources.
   c. It minimizes the risk of fraud and mismanagement.

Answer: a

5. **Who develops the IASB's Framework?**
   a. The International Accounting Standards Board (IASB).
   b. The Financial Accounting Standards Board (FASB).
   c. The Securities and Exchange Commission (SEC).

Answer: a

6. **What is the relationship between the IASB's Framework and accounting standards?**
   a. The Framework provides a basis for the development of accounting standards.
   b. The Framework is unrelated to accounting standards.
   c. The Framework is used to audit accounting standards.

Answer: a

7. **What is the purpose of the recognition and measurement criteria in the IASB's Framework?**
   a. To ensure that financial statement elements are recognized when they meet the definition of an asset, liability, income, or expense.
   b. To ensure that financial statement elements are recognized when they are expected to

provide future economic benefits.
c. To ensure that financial statement elements are recognized when they are easily measurable.

Answer: a

8. **What is the importance of comparability in the IASB's Framework?**
a. It allows users to compare financial statements across different periods and entities.
b. It ensures that financial statements are reliable.
c. It promotes the efficient use of company resources.

Answer: a

9. **What is the purpose of the disclosure requirements in the IASB's Framework?**
a. To provide additional information that is relevant to the users of financial statements.
b. To provide information that is not required by accounting standards.
c. To promote transparency and accountability.

Answer: a

10. **What is the primary objective of the IASB's Framework?**
a. To provide information that is useful in making economic decisions.
b. To promote the efficient use of company resources.
c. To ensure that financial statements are prepared in accordance with accounting standards.

Answer: a

Lec 20 - IASB's Framework (Contd.)

1. **What is the key concept of the IASB's Framework?**
   A) Reliability
   B) Comparability
   C) Understandability
   D) All of the above
   Answer: D

2. **Which of the following elements are recognized in financial statements according to the IASB's Framework?**
   A) Assets
   B) Liabilities
   C) Income
   D) All of the above
   Answer: D

3. **The IASB's Framework promotes transparency and accountability by requiring companies to provide what?**
   A) Relevant and reliable information
   B) Excessive information
   C) Irrelevant and unreliable information
   D) None of the above
   Answer: A

4. **What is the importance of substance over form in the IASB's Framework?**
   A) Economic substance of a transaction should be reflected in the financial statements
   B) Legal form of a transaction should be reflected in the financial statements
   C) Both A and B
   D) None of the above
   Answer: A

5. **The IASB's Framework provides guidance on which of the following?**
   A) When to recognize gains and losses
   B) How to measure assets and liabilities
   C) When to recognize an item as an asset or liability
   D) All of the above
   Answer: D

6. **The IASB's Framework is regularly updated to reflect changes in which of the following?**
   A) Business practices
   B) Financial reporting requirements
   C) Both A and B
   D) None of the above
   Answer: C

7. **Which of the following is NOT a key principle of the IASB's Framework?**
   A) Relevance
   B) Reliability
   C) Comparability
   D) Sustainability
   Answer: D

8. **What is the role of the IASB in the development and update of the Framework?**
   A) Develop and update the Framework
   B) Enforce compliance with the Framework
   C) Both A and B
   D) None of the above
   Answer: A

9. **What is the purpose of the recognition and measurement criteria in the IASB's Framework?**
   A) Ensure that financial statement elements are recognized when they meet the definition of an asset, liability, income, or expense
   B) Ensure that financial statements are free from material errors and omissions
   C) Ensure that financial statements are presented in a clear and concise manner
   D) None of the above
   Answer: A

10. **The IASB's Framework is used by which of the following groups?**
   A) Companies and accounting professionals
   B) Auditors and regulators
   C) Both A and B
   D) None of the above
   Answer: C

Lec 21 - Presentation of Liabilities in Balance Sheet

1. **Liabilities are typically presented in the balance sheet in:**
a) Ascending order of maturity dates
b) Alphabetical order
c) Descending order of maturity dates
d) Random order

Answer: c) Descending order of maturity dates

2. **The presentation of liabilities in the balance sheet provides insights into the company's:**
a) Inventory turnover
b) Solvency and liquidity
c) Revenue recognition policies
d) Capital structure

Answer: b) Solvency and liquidity

3. **Which of the following is an example of a current liability?**
a) Long-term loan
b) Accounts payable
c) Mortgage payable
d) Bonds payable

Answer: b) Accounts payable

4. **Accrued expenses are an example of:**
a) Long-term liabilities
b) Current liabilities
c) Equity
d) Assets

Answer: b) Current liabilities

5. **The order of presentation of liabilities in the balance sheet is determined by:**
a) The size of the liability
b) The order in which the liability was incurred
c) The maturity date of the liability
d) The industry in which the company operates

Answer: c) The maturity date of the liability

6. **A contingent liability should be disclosed in the balance sheet:**
a) Only if it is probable
b) Only if it is reasonably possible
c) Only if it is remote
d) Regardless of the probability of occurrence

Answer: b) Only if it is reasonably possible

7. **Which of the following is not an example of a long-term liability?**
a) Bank loan
b) Mortgage payable
c) Accounts payable
d) Bonds payable

Answer: c) Accounts payable

8. **A company's debt-to-equity ratio can be calculated using information from the:**
a) Income statement
b) Statement of cash flows
c) Balance sheet
d) Notes to the financial statements

Answer: c) Balance sheet

9. **A company's current ratio can be calculated using information from the:**
a) Income statement
b) Statement of cash flows
c) Balance sheet
d) Notes to the financial statements

Answer: c) Balance sheet

10. **The disclosure requirements for long-term debt in the balance sheet are governed by:**
a) IAS 1
b) IAS 2
c) IAS 16
d) IAS 39

Answer: d) IAS 39

Lec 22 - Liabilities side area of Balance Sheet (Share Capital and Reserves)

1. **Which of the following represents long-term financing provided by the owners of the company?**
   A) Share capital and reserves
   B) Accounts payable
   C) Bank loans
   D) Accrued expenses
   Answer: A

2. **What is share capital?**
   A) Profits that are retained by the company for future use
   B) Funds raised by the company through the sale of its shares to investors
   C) Money owed by the company to suppliers
   D) A liability that arises from an expense that has been incurred but not yet paid
   Answer: B

3. **Which of the following is included in the reserves category on the liabilities side of the balance sheet?**
   A) Retained earnings
   B) Share premium
   C) General reserve
   D) All of the above
   Answer: D

4. **What does the liabilities side of the balance sheet show?**
   A) The company's assets
   B) The company's liabilities and equity
   C) The company's revenue and expenses
   D) The company's cash flows
   Answer: B

5. **Which of the following is not included in the liabilities side of the balance sheet?**
   A) Share capital
   B) Reserves
   C) Accounts receivable
   D) Long-term debt
   Answer: C

6. **What is the purpose of presenting share capital and reserves separately in the balance sheet?**
   A) To provide information about the company's sources of financing
   B) To distinguish between short-term and long-term liabilities
   C) To show the company's cash flows
   D) To report the company's revenue and expenses
   Answer: A

7. **Which of the following represents the total amount of money that has been invested in a company by its shareholders?**
   A) Share capital
   B) Reserves
   C) Retained earnings

D) Share premium
Answer: A

8. **What is the difference between share capital and reserves?**
A) Share capital represents short-term financing, while reserves represent long-term financing.
B) Share capital represents equity, while reserves represent liabilities.
C) Share capital represents funds raised through the sale of shares, while reserves represent profits that have been retained by the company.
D) Share capital represents the money that the company owes to its shareholders, while reserves represent the money that the company owes to its creditors.
Answer: C

9. **Which of the following is an example of a reserve on the liabilities side of the balance sheet?**
A) Accounts payable
B) Bank loan
C) Retained earnings
D) Common stock
Answer: C

10. **Why is it important for investors to review the liabilities side of the balance sheet?**
A) To evaluate the company's profitability
B) To assess the company's liquidity and solvency
C) To calculate the company's earnings per share
D) To determine the company's tax liability
Answer: B