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

Lec 23 - Share Capital

1. **What is share capital?**
   a. The funds raised by a company through the sale of shares to investors
   b. The amount of money a company owes to its lenders
   c. The profits generated by a company from its operations
   d. The total assets owned by a company

Solution: a

2. **What is authorized share capital?**
   a. The maximum amount of share capital that a company is authorized to issue
   b. The amount of share capital that a company has already issued
   c. The amount of share capital that a company is required to issue
   d. The amount of share capital that a company has repurchased

Solution: a

3. **What is issued share capital?**
   a. The maximum amount of share capital that a company is authorized to issue
   b. The amount of share capital that a company has already issued
   c. The amount of share capital that a company is required to issue
   d. The amount of share capital that a company has repurchased

Solution: b

4. **What is subscribed share capital?**
   a. The maximum amount of share capital that a company is authorized to issue
   b. The amount of share capital that a company has already issued
   c. The amount of share capital that a company is required to issue
   d. The amount of share capital that a company has repurchased

Solution: b

5. **What is paid-up share capital?**
   a. The maximum amount of share capital that a company is authorized to issue
   b. The amount of share capital that a company has already issued
   c. The amount of share capital that a company is required to issue
   d. The amount of share capital that a company has repurchased and retired

Solution: d

6. **Which of the following is not a type of share capital?**
   a. Authorized share capital
   b. Issued share capital
   c. Paid-up share capital
   d. Retained earnings

Solution: d

7. **What is the par value of a share?**
a. The value of a share as determined by the stock market
b. The value of a share as stated on the share certificate
c. The value of a share as determined by the company's board of directors
d. The value of a share as determined by the company's auditors

Solution: b

8. **What is the difference between common shares and preferred shares?**
a. Common shares have no voting rights, while preferred shares do
b. Preferred shares have no voting rights, while common shares do
c. Preferred shares have a higher claim on a company's assets and earnings than common shares
d. Common shares have a higher claim on a company's assets and earnings than preferred shares

Solution: c

9. **What is a stock split?**
a. The process of increasing the par value of a company's shares
b. The process of reducing the par value of a company's shares
c. The process of increasing the number of a company's shares outstanding
d. The process of reducing the number of a company's shares outstanding

Solution: c

10. **What is a rights issue?**
a. The process of issuing shares to the general public
b. The process of issuing shares to a select group of investors
c. The process of allowing existing shareholders to purchase additional shares at a discounted price
d. The process of repurchasing shares from existing shareholders

Solution: c

Lec 24 - Repurchase of Shares – Section 95 A

1. **What does Section 95A of the Companies Act 2013 deal with?**
   A) Buyback of shares
   B) Issuance of shares
   C) Transfer of shares
   D) Shareholder meetings
   Answer: A) Buyback of shares

2. **What is a share buyback?**
   A) The process of buying shares of another company
   B) The process of buying back shares from the market
   C) The process of issuing new shares to the public
   D) The process of transferring shares to another person
   Answer: B) The process of buying back shares from the market

3. **Who can approve a share buyback under Section 95A?**
   A) Board of directors
   B) Shareholders
   C) Both A and B
   D) None of the above
   Answer: C) Both A and B

4. **What is the maximum amount of shares that can be repurchased under Section 95A?**
   A) 10% of the total paid-up share capital and free reserves
   B) 20% of the total paid-up share capital and free reserves
   C) 25% of the total paid-up share capital and free reserves
   D) 50% of the total paid-up share capital and free reserves
   Answer: B) 20% of the total paid-up share capital and free reserves

5. **What is the minimum gap between two share buybacks under Section 95A?**
   A) 6 months
   B) 1 year
   C) 2 years
   D) 3 years
   Answer: B) 1 year

6. **Can a company buy back shares through private placement under Section 95A?**
   A) Yes
   B) No
   Answer: B) No

7. **How should a company pay for the shares purchased under Section 95A?**
   A) Cash only
   B) Cash or through other modes allowed by law
   C) Through shares of another company
   D) Through bank transfer only
   Answer: B) Cash or through other modes allowed by law

8. **What should be the price of the shares purchased under Section 95A?**
   A) Par value
   B) Market value

C) A premium to the market value
D) A discount to the market value
Answer: B) Market value

9. **Can a company purchase shares through a negotiated deal under Section 95A?**
A) Yes
B) No
Answer: B) No

10. **What should a company do with the shares purchased under Section 95A?**
A) Cancel the shares
B) Hold the shares as treasury stock
C) Sell the shares to another company
D) Distribute the shares to the public
Answer: B) Hold the shares as treasury stock

Lec 25 - Prospectus & Non-Current Liabilities – 4th Schedule

1. **What is a prospectus?**
   a) A legal document that provides information to potential investors about the securities a company is offering.
   b) A financial statement showing a company's assets, liabilities, and equity.
   c) A document used to record all of a company's transactions.
   Answer: a

2. **What are non-current liabilities?**
   a) Obligations that a company is expected to fulfill within one year.
   b) Obligations that a company is expected to fulfill over a period of more than one year.
   c) The amount of money that a company owes to its shareholders.
   Answer: b

3. **What does the 4th schedule of a prospectus typically include?**
   a) Details about a company's current liabilities.
   b) Details about a company's non-current liabilities.
   c) Details about a company's revenue and expenses.
   Answer: b

4. **Which of the following is an example of a non-current liability?**
   a) Accounts payable
   b) Short-term loans
   c) Long-term loans
   Answer: c

5. **Why is information about non-current liabilities important for investors?**
   a) It helps them understand a company's ability to meet its long-term obligations.
   b) It helps them understand a company's short-term cash flow.
   c) It helps them understand a company's profit margin.
   Answer: a

6. **What type of information would you find in the 4th schedule of a prospectus?**
   a) Details about a company's current assets.
   b) Details about a company's non-current assets.
   c) Details about a company's non-current liabilities.
   Answer: c

7. **Which of the following is an example of a non-current liability?**
   a) Accounts receivable
   b) Lease obligations
   c) Inventory
   Answer: b

8. **What is the purpose of a prospectus?**
   a) To provide information to potential investors about the securities a company is offering.
   b) To provide information to potential customers about a company's products.
   c) To provide information to potential employees about a company's benefits.
   Answer: a

9. **What is the difference between a current liability and a non-current liability?**
a) A current liability is an obligation that a company is expected to fulfill within one year, while a non-current liability is an obligation that a company is expected to fulfill over a period of more than one year.
b) A current liability is an obligation that a company is expected to fulfill over a period of more than one year, while a non-current liability is an obligation that a company is expected to fulfill within one year.
c) There is no difference between a current liability and a non-current liability.
Answer: a

10. **Which of the following would be included in the 4th schedule of a prospectus?**
a) Details about a company's short-term debt.
b) Details about a company's long-term debt.
c) Details about a company's current assets.
Answer: b

Lec 26 - Leasing – IAS 17

1. **Under IAS 17, how are leases classified?**
   a) Finance leases and rental leases
   b) Operating leases and financing leases
   c) Long-term leases and short-term leases
   Answer: b

2. **How are finance leases recognized under IAS 17?**
   a) As an expense in the income statement
   b) As an asset and a liability on the balance sheet
   c) As a liability on the balance sheet only
   Answer: b

3. **Which of the following is a characteristic of a finance lease?**
   a) The lease term is less than 12 months
   b) The lease transfers substantially all the risks and rewards of ownership to the lessee
   c) The lease payments are variable
   Answer: b

4. **Which of the following is a characteristic of an operating lease?**
   a) The lease transfers substantially all the risks and rewards of ownership to the lessee
   b) The lease term is equal to or greater than 12 months
   c) The lease payments are based on the fair value of the asset
   Answer: c

5. **How are lease payments allocated under a finance lease?**
   a) The payments are allocated between interest and principal
   b) The payments are allocated between operating expenses and financing expenses
   c) The payments are allocated between current and non-current liabilities
   Answer: a

6. **Which of the following is not a finance lease criterion under IAS 17?**
   a) The lease term is for the major part of the asset's useful life
   b) The present value of the lease payments is less than the fair value of the asset
   c) The lessee is responsible for maintenance and repairs of the asset
   Answer: c

7. **How are lease incentives treated under IAS 17?**
   a) As a reduction in lease payments
   b) As a separate asset on the balance sheet
   c) As a liability on the balance sheet
   Answer: a

8. **Which of the following is true for a sale and leaseback transaction?**
   a) It can only be classified as an operating lease
   b) The leased asset is recognized as a finance lease for the lessee
   c) The leased asset is derecognized from the lessor's balance sheet
   Answer: b

9. **How are contingent rent payments treated under IAS 17?**
   a) They are recognized as an expense in the period incurred

b) They are included in the lease payments and allocated between interest and principal
c) They are recognized as revenue for the lessor
Answer: a

10. **Which of the following disclosures is required under IAS 17?**
a) The amount of capital expenditure committed under operating leases
b) The future minimum lease payments under finance leases
c) The useful life of the leased asset
Answer: b

Lec 27 - Leasing – IAS 17 (Contd.)

1. **How does IAS 17 classify leases?**
   A. Finance leases only
   B. Operating leases only
   C. Both finance and operating leases

Answer: C. Both finance and operating leases

2. **What is the key factor in determining whether a lease is a finance lease or an operating lease?**
   A. The length of the lease term
   B. The residual value of the leased asset
   C. The transfer of risks and rewards of ownership

Answer: C. The transfer of risks and rewards of ownership

3. **How are lease payments allocated under a finance lease?**
   A. Only to interest expense
   B. Only to reduction of the lease liability
   C. To both interest expense and reduction of the lease liability

Answer: C. To both interest expense and reduction of the lease liability

4. **How are lease payments recognized under an operating lease?**
   A. As an asset on the balance sheet
   B. As a liability on the balance sheet
   C. As an expense on the income statement

Answer: C. As an expense on the income statement

5. **What is the treatment for lease incentives under IAS 17?**
   A. Recognized as a reduction in lease payments
   B. Recognized as an asset on the balance sheet
   C. Recognized as a liability on the balance sheet

Answer: A. Recognized as a reduction in lease payments

6. **How is a sale and leaseback transaction accounted for under IAS 17?**
   A. The leased asset is recognized as a finance lease
   B. The leased asset is recognized as an operating lease
   C. The leased asset is not recognized on the balance sheet

Answer: A. The leased asset is recognized as a finance lease

7. **What are the disclosure requirements under IAS 17 for finance leases?**
   A. Future minimum lease payments only
   B. Contingent rent payments only
   C. Both future minimum lease payments and contingent rent payments

Answer: C. Both future minimum lease payments and contingent rent payments

8. **Can an operating lease be accounted for as a finance lease?**
   A. Yes
   B. No

Answer: B. No

9. **How are impairment losses on leased assets recognized under IAS 17?**
   A. As an expense on the income statement
   B. As a reduction in lease payments
   C. As a decrease in the carrying amount of the leased asset

Answer: C. As a decrease in the carrying amount of the leased asset

10. **When must an entity reassess the classification of a lease under IAS 17?**
    A. Only if there is a change in the lease term
    B. Only if there is a change in the lease payments
    C. If there is a change in the terms and conditions of the lease

Answer: C. If there is a change in the terms and conditions of the lease

Lec 28 - Leasing – IAS 17 (Contd.)

1. How does IAS 17 classify leases?
   A. Finance leases only
   B. Operating leases only
   C. Both finance and operating leases

Answer: C. Both finance and operating leases

2. What is the key factor in determining whether a lease is a finance lease or an operating lease?
   A. The length of the lease term
   B. The residual value of the leased asset
   C. The transfer of risks and rewards of ownership

Answer: C. The transfer of risks and rewards of ownership

3. How are lease payments allocated under a finance lease?
   A. Only to interest expense
   B. Only to reduction of the lease liability
   C. To both interest expense and reduction of the lease liability

Answer: C. To both interest expense and reduction of the lease liability

4. How are lease payments recognized under an operating lease?
   A. As an asset on the balance sheet
   B. As a liability on the balance sheet
   C. As an expense on the income statement

Answer: C. As an expense on the income statement

5. What is the treatment for lease incentives under IAS 17?
   A. Recognized as a reduction in lease payments
   B. Recognized as an asset on the balance sheet
   C. Recognized as a liability on the balance sheet

Answer: A. Recognized as a reduction in lease payments

6. How is a sale and leaseback transaction accounted for under IAS 17?
   A. The leased asset is recognized as a finance lease
   B. The leased asset is recognized as an operating lease
   C. The leased asset is not recognized on the balance sheet

Answer: A. The leased asset is recognized as a finance lease

7. What are the disclosure requirements under IAS 17 for finance leases?
   A. Future minimum lease payments only
   B. Contingent rent payments only
   C. Both future minimum lease payments and contingent rent payments

Answer: C. Both future minimum lease payments and contingent rent payments

8. Can an operating lease be accounted for as a finance lease?
   A. Yes
   B. No

Answer: B. No

9. How are impairment losses on leased assets recognized under IAS 17?
   A. As an expense on the income statement
   B. As a reduction in lease payments
   C. As a decrease in the carrying amount of the leased asset

Answer: C. As a decrease in the carrying amount of the leased asset

10. When must an entity reassess the classification of a lease under IAS 17?
   A. Only if there is a change in the lease term
   B. Only if there is a change in the lease payments
   C. If there is a change in the terms and conditions of the lease

Answer: C. If there is a change in the terms and conditions of the lease

Lec 29 - Leasing – IAS 17 (Contd.)

1. How does IAS 17 classify leases?
   A. Finance leases only
   B. Operating leases only
   C. Both finance and operating leases

Answer: C. Both finance and operating leases

2. What is the key factor in determining whether a lease is a finance lease or an operating lease?
   A. The length of the lease term
   B. The residual value of the leased asset
   C. The transfer of risks and rewards of ownership

Answer: C. The transfer of risks and rewards of ownership

3. How are lease payments allocated under a finance lease?
   A. Only to interest expense
   B. Only to reduction of the lease liability
   C. To both interest expense and reduction of the lease liability

Answer: C. To both interest expense and reduction of the lease liability

4. How are lease payments recognized under an operating lease?
   A. As an asset on the balance sheet
   B. As a liability on the balance sheet
   C. As an expense on the income statement

Answer: C. As an expense on the income statement

5. What is the treatment for lease incentives under IAS 17?
   A. Recognized as a reduction in lease payments
   B. Recognized as an asset on the balance sheet
   C. Recognized as a liability on the balance sheet

Answer: A. Recognized as a reduction in lease payments

6. How is a sale and leaseback transaction accounted for under IAS 17?
   A. The leased asset is recognized as a finance lease
   B. The leased asset is recognized as an operating lease
   C. The leased asset is not recognized on the balance sheet

Answer: A. The leased asset is recognized as a finance lease

7. What are the disclosure requirements under IAS 17 for finance leases?
   A. Future minimum lease payments only
   B. Contingent rent payments only
   C. Both future minimum lease payments and contingent rent payments

Answer: C. Both future minimum lease payments and contingent rent payments

8. Can an operating lease be accounted for as a finance lease?
   A. Yes
   B. No

Answer: B. No

9. How are impairment losses on leased assets recognized under IAS 17?
   A. As an expense on the income statement
   B. As a reduction in lease payments
   C. As a decrease in the carrying amount of the leased asset

Answer: C. As a decrease in the carrying amount of the leased asset

10. When must an entity reassess the classification of a lease under IAS 17?
   A. Only if there is a change in the lease term
   B. Only if there is a change in the lease payments
   C. If there is a change in the terms and conditions of the lease

Answer: C. If there is a change in the terms and conditions of the lease

Lec 30 - Leasing – IAS 17 (Contd.) & Provisions, Contingent assets and Contingent Liabilities IAS 37

1. **Which type of lease requires the recognition of the leased asset and associated liability on the balance sheet of the lessee?**
   a) Operating lease
   b) Finance lease
   c) Both a and b
   d) None of the above
   Answer: b

2. **How are lease incentives recognized under IAS 17?**
   a) As an expense in the income statement
   b) As a reduction in lease payments and amortized over the lease term
   c) As a gain on the income statement
   d) None of the above
   Answer: b

3. **How are subleases accounted for under IAS 17?**
   a) As an expense in the income statement
   b) As a reduction in lease payments and amortized over the lease term
   c) In the same way as the original lease
   d) None of the above
   Answer: c

4. **Which type of leaseback transaction can result in a gain recognized in the income statement?**
   a) Finance lease
   b) Operating lease
   c) Both a and b
   d) None of the above
   Answer: b

5. **What are the disclosure requirements for finance leases under IAS 17?**
   a) Future minimum lease payments
   b) Contingent rent payments
   c) General description of lease terms
   d) All of the above
   Answer: d

Provisions, Contingent assets and Contingent Liabilities - IAS 37

6. **When is a provision recognized under IAS 37?**
   a) When there is a possible obligation or benefit that depends on future events
   b) When there is a present obligation as a result of a past event
   c) When there is a contingent asset
   d) None of the above
   Answer: b

7. **What are the disclosure requirements for provisions under IAS 37?**
a) Nature of the obligation
b) Amount of the provision
c) Uncertainties surrounding the obligation
d) All of the above
Answer: d

8. **How are contingent assets recognized under IAS 37?**
a) As a gain on the income statement
b) As an asset on the balance sheet
c) Only when the inflow of economic benefits is virtually certain
d) None of the above
Answer: c

9. **What is the probability threshold for recognizing a contingent liability under IAS 37?**
a) Reasonably possible
b) Probable
c) Virtually certain
d) None of the above
Answer: b

10. **How are contingent liabilities disclosed under IAS 37?**
a) Nature of the contingency
b) Estimate of the financial effect
c) Probability of the contingency occurring
d) All of the above
Answer: d

Lec 31 - Provisions, Contingent Assets & Contingent Liabilities (Contd)

1. **What is a provision under IAS 37?**
   A) Possible obligations that depend on the occurrence of a future event
   B) Present obligation arising from a past event
   C) Possible assets that depend on the occurrence of a future event
   D) All of the above

Answer: B

2. **Which of the following is an example of a provision?**
   A) Probable future profits
   B) Future research and development costs
   C) Restructuring costs
   D) All of the above

Answer: C

3. **What is a contingent liability?**
   A) A present obligation arising from a past event
   B) A possible obligation that depends on the occurrence of a future event
   C) A possible asset that depends on the occurrence of a future event
   D) None of the above

Answer: B

4. **When is a contingent asset recognized in the financial statements?**
   A) When the inflow of economic benefits is virtually certain
   B) When the outflow of economic resources is probable
   C) When the occurrence of a future event is virtually certain
   D) None of the above

Answer: A

5. **Which of the following is an example of a contingent liability?**
   A) Future research and development costs
   B) A pending lawsuit
   C) Probable future profits
   D) None of the above

Answer: B

6. **What is the criteria for recognizing a provision?**
   A) Possible obligation that depends on the occurrence of a future event
   B) Present obligation arising from a past event
   C) Virtually certain inflow of economic benefits
   D) All of the above

Answer: B

7. **When is a contingent liability disclosed in the financial statements?**
A) When the occurrence of a future event is probable, and the amount of the obligation can be estimated reliably
B) When the outflow of economic resources is probable
C) When the inflow of economic benefits is virtually certain
D) None of the above

Answer: A

8. **What is the measurement basis for provisions?**
A) Cost
B) Fair value
C) Best estimate of the expenditure required to settle the obligation
D) All of the above

Answer: C

9. **Which of the following is an example of a contingent asset?**
A) A pending lawsuit
B) A potential customer
C) Future research and development costs
D) None of the above

Answer: B

10. **What is the criteria for recognizing a contingent liability?**
A) Probable future profits
B) A present obligation arising from a past event
C) Possible obligation that depends on the occurrence of a future event
D) Probability of the future event and reliability of the estimate

Answer: D

Lec 32 - Provisions, Contingent Assets & Contingent Liabilities (Contd) and Income Statement

1. What are provisions in accounting?
   A. Expected future losses
   B. Expected future gains
   C. Current assets
   D. Current liabilities
   Answer: A

2. What is the difference between provisions and contingent liabilities?
   A. Provisions are certain, while contingent liabilities are uncertain
   B. Provisions are uncertain, while contingent liabilities are certain
   C. Provisions are recognized in the income statement, while contingent liabilities are recognized in the balance sheet
   D. There is no difference between the two terms
   Answer: A

3. What is a contingent asset?
   A. A potential gain that depends on certain conditions
   B. A potential loss that depends on certain conditions
   C. An asset that is already owned by the company
   D. An asset that is not yet owned by the company
   Answer: A

4. Which financial statement shows a company's revenues, expenses, gains, and losses over a specific period?
   A. Balance sheet
   B. Income statement
   C. Statement of cash flows
   D. Statement of changes in equity
   Answer: B

5. Which of the following is an example of a contingent liability?
   A. Lawsuit pending against the company
   B. Patent owned by the company
   C. Office furniture owned by the company
   D. Revenue received in advance by the company
   Answer: A

6. How are provisions and contingent liabilities recorded on the balance sheet?
   A. As assets
   B. As liabilities
   C. As equity
   D. They are not recorded on the balance sheet
   Answer: B

7. Which of the following is an example of a provision?
   A. Warranty expense
   B. Depreciation expense
   C. Interest expense

D. Rent expense
Answer: A

8. What is the purpose of recognizing contingent assets and liabilities?
A. To increase a company's reported assets and liabilities
B. To provide additional information about a company's financial health
C. To manipulate a company's reported financial results
D. There is no purpose for recognizing these items
Answer: B

9. Which financial statement provides information about a company's cash inflows and outflows?
A. Balance sheet
B. Income statement
C. Statement of cash flows
D. Statement of changes in equity
Answer: C

10. How are gains and losses recognized on the income statement?
A. Gains are recorded as revenue, and losses are recorded as expenses
B. Gains are recorded as expenses, and losses are recorded as revenue
C. Gains and losses are not recognized on the income statement
D. Gains and losses are recorded as equity
Answer: A

Lec 33 - Income statement IAS-01

1. **What is a provision under IAS 37?**
   A) Possible obligations that depend on the occurrence of a future event
   B) Present obligation arising from a past event
   C) Possible assets that depend on the occurrence of a future event
   D) All of the above

Answer: B

2. **Which of the following is an example of a provision?**
   A) Probable future profits
   B) Future research and development costs
   C) Restructuring costs
   D) All of the above

Answer: C

3. **What is a contingent liability?**
   A) A present obligation arising from a past event
   B) A possible obligation that depends on the occurrence of a future event
   C) A possible asset that depends on the occurrence of a future event
   D) None of the above

Answer: B

4. **When is a contingent asset recognized in the financial statements?**
   A) When the inflow of economic benefits is virtually certain
   B) When the outflow of economic resources is probable
   C) When the occurrence of a future event is virtually certain
   D) None of the above

Answer: A

5. **Which of the following is an example of a contingent liability?**
   A) Future research and development costs
   B) A pending lawsuit
   C) Probable future profits
   D) None of the above

Answer: B

6. **What is the criteria for recognizing a provision?**
   A) Possible obligation that depends on the occurrence of a future event
   B) Present obligation arising from a past event
   C) Virtually certain inflow of economic benefits
   D) All of the above

Answer: B

7. **When is a contingent liability disclosed in the financial statements?**
A) When the occurrence of a future event is probable, and the amount of the obligation can be estimated reliably
B) When the outflow of economic resources is probable
C) When the inflow of economic benefits is virtually certain
D) None of the above

Answer: A

8. **What is the measurement basis for provisions?**
A) Cost
B) Fair value
C) Best estimate of the expenditure required to settle the obligation
D) All of the above

Answer: C

9. **Which of the following is an example of a contingent asset?**
A) A pending lawsuit
B) A potential customer
C) Future research and development costs
D) None of the above

Answer: B

10. **What is the criteria for recognizing a contingent liability?**
A) Probable future profits
B) A present obligation arising from a past event
C) Possible obligation that depends on the occurrence of a future event
D) Probability of the future event and reliability of the estimate

Answer: D

Lec 34 - Revenues IAS-18

1. **Under IAS 18, revenue is recognized when:**
A) it is earned and realized
B) it is earned and realizable
C) the cash has been received
D) it is probable that future economic benefits will flow to the entity, and these benefits can be measured reliably
Answer: D

2. **Which of the following is not a type of revenue covered by IAS 18?**
A) Sale of goods
B) Rendering of services
C) Royalties
D) Investment income
Answer: D

3. **When should revenue from the sale of goods be recognized under IAS 18?**
A) When the goods are delivered
B) When the customer pays for the goods
C) When the goods are dispatched
D) When the goods are produced
Answer: A

4. **Which of the following is not a criteria for recognizing revenue under IAS 18?**
A) The amount of revenue can be measured reliably
B) It is probable that economic benefits will flow to the entity
C) The entity has legal title to the goods or services
D) The risks and rewards of ownership have been transferred to the buyer
Answer: C

5. **When should revenue from rendering of services be recognized under IAS 18?**
A) When the service is completed
B) When the customer pays for the service
C) When the entity receives an order for the service
D) When the entity starts providing the service
Answer: A

6. **Which of the following is an example of a contingency that could affect revenue recognition under IAS 18?**
A) A customer may not pay for the goods or services
B) The entity may be unable to deliver the goods or services
C) The entity may not be able to measure the revenue reliably
D) The entity may not have legal title to the goods or services
Answer: A

7. **What is the revenue recognition criteria for use of an entity's resources by others?**
A) When the resource is made available for use
B) When the resource is used
C) When the customer pays for the use of the resource
D) When the entity receives an order for the use of the resource
Answer: B

8. **Which of the following is not a disclosure requirement for revenue recognition under IAS 18?**
A) The amount of revenue recognized for each product or service
B) The timing of revenue recognition for each product or service
C) The cost of sales for each product or service
D) The nature of the entity's relationship with its customers
Answer: C

9. **Which of the following is an example of a situation where revenue cannot be measured reliably under IAS 18?**
A) A customer has not paid for goods or services
B) A dispute arises over the quality of goods or services provided
C) The costs of providing goods or services cannot be determined
D) The entity has legal title to the goods or services
Answer: C

10. **What is the main objective of IAS 18?**
A) To ensure the proper recognition and measurement of revenue in financial statements
B) To provide guidance on the recognition and measurement of liabilities in financial statements
C) To provide guidance on the recognition and measurement of assets in financial statements
D) To provide guidance on the presentation of financial statements
Answer: A

Lec 35 - Presentation and Disclosure of Expenses in Income statement

1. **Which of the following is not a category of expenses typically included in the income statement?**
   a) Cost of goods sold
   b) Research and development expenses
   c) Financing expenses
   d) Selling and administrative expenses
   Answer: c) Financing expenses

2. **Which of the following is an example of an unusual or non-recurring expense that should be disclosed in the income statement?**
   a) Cost of goods sold
   b) Depreciation expense
   c) Litigation settlement expense
   d) Salaries and wages expense
   Answer: c) Litigation settlement expense

3. **Which of the following is not a common method of presenting expenses in the income statement?**
   a) By nature
   b) By function
   c) By size
   d) By relevance
   Answer: c) By size

4. **When expenses are presented by function in the income statement, which of the following is a typical category?**
   a) Interest expense
   b) Depreciation expense
   c) Cost of goods sold
   d) Research and development expense
   Answer: d) Research and development expense

5. **Which of the following is an example of a change in accounting policy related to the treatment of expenses?**
   a) A change in the useful life used to calculate depreciation expense
   b) A change in the method used to calculate inventory costs
   c) A change in the method used to calculate bad debt expense
   d) A change in the discount rate used to calculate pension expense
   Answer: c) A change in the method used to calculate bad debt expense

6. **Which of the following is a reason for disclosing related party transactions in the income statement?**
   a) To comply with tax laws
   b) To provide transparency about the company's transactions with its affiliates
   c) To provide information about employee benefits
   d) To identify non-recurring expenses
   Answer: b) To provide transparency about the company's transactions with its affiliates

7. **When a company reports a gain or loss from the sale of a long-term asset in the income statement, where is it typically presented?**

a) As part of cost of goods sold
b) As a separate line item before operating income
c) As part of other income or expense
d) As a reduction of income tax expense
Answer: c) As part of other income or expense

8. **Which of the following is an example of a contra account that is typically presented as a deduction from revenue in the income statement?**
a) Sales returns and allowances
b) Depreciation expense
c) Interest income
d) Research and development expense
Answer: a) Sales returns and allowances

9. **Which of the following is a common way to measure and present the impact of foreign** currency fluctuations on the income statement?
a) By presenting the effect on a separate line item
b) By converting all foreign currency transactions to the local currency using the average exchange rate for the period
c) By disclosing the impact in the footnotes to the financial statements
d) By excluding the impact from the income statement altogether
Answer: a) By presenting the effect on a separate line item

10. **Which of the following is an example of an expense that is not typically presented in the income statement, but rather is disclosed in the footnotes to the financial statements?**
a) Salaries and wages expense
b) Property taxes expense
c) Pension expense
d) Environmental remediation expense
Answer: d) Environmental remediation expense

Lec 36 - Statement of Changes in Equity, Accounting Policies, Changes in Accounting Estimates and Errors

1. **Which of the following statements is true about accounting policies?**
   A) They are not disclosed in financial statements
   B) They are optional for entities to adopt
   C) They are specific principles, bases, conventions, rules, and practices applied by an entity in preparing and presenting financial statements
   D) They are only applicable to small entities

Answer: C

2. **Which of the following is an example of a change in accounting estimate?**
   A) A change in accounting policy
   B) A change in the reporting period
   C) A change in the useful life of an asset
   D) A change in the legal structure of the entity

Answer: C

3. **Which of the following statements is true about errors in financial statements?**
   A) They are always intentional
   B) They can be corrected by simply adjusting the next period's financial statements
   C) They are unintentional misstatements or omissions of amounts or disclosures
   D) They do not affect the financial statements of an entity

Answer: C

4. **Which of the following financial statements is required to disclose the accounting policies adopted by an entity?**
   A) Statement of Changes in Equity
   B) Income Statement
   C) Balance Sheet
   D) Notes to the Financial Statements

Answer: D

5. **Which of the following is an example of a change in accounting policy?**
   A) A change in the useful life of an asset
   B) A change in the reporting period
   C) A change in the legal structure of the entity
   D) A change from FIFO to LIFO inventory valuation method

Answer: D

6. **Which of the following is true about the statement of changes in equity?**
   A) It provides information about changes in the entity's cash flow over a specific period.
   B) It is not required to be presented as a separate financial statement
   C) It shows the beginning and ending balances of each equity account
   D) It only includes changes in retained earnings

Answer: C

7. **Which of the following is an example of a contingent asset?**
   A) A lawsuit filed against the entity
   B) A tax refund claim that is under dispute
   C) A loss from a natural disaster
   D) A loan that is past due

Answer: B

8. **Which of the following is an example of a provision?**
   A) A tax refund that is expected to be received in the next year
   B) A potential obligation that arises from past events
   C) A loan that is past due
   D) A fixed asset that is fully depreciated

Answer: B

9. **Which of the following is an example of an error in financial statements?**
   A) Failure to record a cash transaction
   B) An intentional overstatement of revenue
   C) A change in accounting policy
   D) An increase in the useful life of an asset

Answer: A

10. **Which of the following is an example of a change in accounting estimate?**
   A) A change in the entity's legal structure
   B) A change in the reporting period
   C) A change in the useful life of an asset
   D) A change in the entity's management team

Answer: C

Lec 37 - Changes in Accounting Policies – IAS 8, Errors and Cash Flows

1. **Which of the following is not a change in accounting policy according to IAS 8?**
a) Changing from FIFO to LIFO
b) Changing from cost model to revaluation model
c) Changing from straight-line method to accelerated method
d) Changing from accrual basis to cash basis

Answer: d) Changing from accrual basis to cash basis

2. **According to IAS 8, an accounting policy change should be:**
a) Applied retrospectively
b) Applied prospectively
c) Applied prospectively with disclosure of the effect on current and future periods
d) Disclosed in the notes to the financial statements only

Answer: c) Applied prospectively with disclosure of the effect on current and future periods

3. **Which of the following is an example of an error in financial reporting?**
a) Misapplication of accounting policy
b) Misuse of an asset
c) Misclassification of an expense
d) All of the above

Answer: d) All of the above

4. **Which of the following is not an example of a cash flow from investing activities?**
a) Sale of property, plant, and equipment
b) Purchase of a building
c) Purchase of shares in another company
d) Sale of an investment

Answer: c) Purchase of shares in another company

5. **When preparing the statement of cash flows using the indirect method, which of the following adjustments should be made to net income?**
a) Add back depreciation expense
b) Deduct interest expense
c) Deduct gain on sale of an asset
d) Add back a decrease in accounts receivable

Answer: a) Add back depreciation expense

6. **Which of the following is true regarding the statement of changes in equity?**
a) It is required under IFRS but not under US GAAP
b) It reports only changes in retained earnings
c) It reports all changes in equity, including transactions with owners and changes in accounting policies
d) It is not required for private companies

Answer: c) It reports all changes in equity, including transactions with owners and changes in accounting policies

7. **Which of the following is an example of a change in accounting estimate?**
   a) Changing from LIFO to FIFO
   b) Changing the useful life of an asset
   c) Changing from the cost model to the revaluation model
   d) Changing the method of recognizing revenue

Answer: b) Changing the useful life of an asset

8. **According to IAS 7, which of the following items is not considered a cash equivalent?**
   a) Short-term investments with high liquidity
   b) Bank overdrafts
   c) Commercial paper
   d) Treasury bills

Answer: b) Bank overdrafts

9. **Which of the following is true regarding errors in financial reporting?**
   a) They are always intentional
   b) They can be corrected in the current period only
   c) They can have a material effect on the financial statements
   d) They are always immaterial

Answer: c) They can have a material effect on the financial statements

10. **Which of the following is an example of a noncash item that would be reported on the statement of cash flows?**
    a) Amortization expense
    b) Interest expense
    c) Depreciation expense
    d) Accounts receivable write-off

Answer: d) Accounts receivable write-off

Lec 38 - Cash Flow Statement IAS-7

1. **Which of the following is not a component of cash and cash equivalents in a cash flow statement under IAS 7?**
   A) Cash on hand
   B) Bank overdrafts
   C) Cash at bank
   D) Short-term bank loans
   Answer: D

2. **Which of the following is not a method of presenting the operating section in a cash flow statement under IAS 7?**
   A) Direct method
   B) Indirect method
   C) Statement of changes in equity method
   D) None of the above
   Answer: C

3. **Which of the following activities would be classified as a cash inflow from investing activities in a cash flow statement under IAS 7?**
   A) Payment for property, plant and equipment
   B) Proceeds from sale of property, plant and equipment
   C) Payment for long-term investments
   D) All of the above
   Answer: B

4. **Which of the following is a cash outflow from financing activities in a cash flow statement under IAS 7?**
   A) Payment of dividends
   B) Proceeds from sale of long-term investments
   C) Payment for property, plant and equipment
   D) None of the above
   Answer: A

5. **Under IAS 7, cash inflows from interest received and dividends received should be classified as:**
   A) Operating activities
   B) Investing activities
   C) Financing activities
   D) None of the above
   Answer: A

6. **Which of the following adjustments would not be made when preparing a cash flow statement under the indirect method?**
   A) Depreciation and amortization
   B) Changes in current assets and liabilities
   C) Gain or loss on sale of assets
   D) All of the above are adjustments made under the indirect method
   Answer: D

7. **Which of the following items is excluded from the definition of cash equivalents under IAS 7?**

A) Bank overdrafts
B) Short-term, highly liquid investments
C) Money market funds
D) Commercial paper with a maturity of less than three months
Answer: A

8. **A company reports a net loss on its income statement. Which of the following could be a reason why its cash flow from operations is still positive?**
A) The company received a large loan from a bank
B) The company sold a significant amount of inventory
C) The company made large capital expenditures
D) None of the above
Answer: B

9. **Under IAS 7, which of the following items would not be disclosed in a cash flow statement?**
A) The opening and closing balances of cash and cash equivalents
B) Significant non-cash transactions
C) Details of dividends paid to shareholders
D) None of the above
Answer: C

10. **In a cash flow statement under IAS 7, which section would the purchase of a long-term investment be classified under?**
A) Operating activities
B) Investing activities
C) Financing activities
D) It depends on the nature of the investment
Answer: B

Lec 39 - Cash Flow Statement (contd.)

1. Which of the following is not a cash flow from operating activities under the indirect method of preparing cash flow statement?
   a) Depreciation expense
   b) Interest expense
   c) Increase in accounts payable
   d) Dividends paid
   Answer: d) Dividends paid

2. Which section of the cash flow statement shows the change in cash balance due to investing activities?
   a) Operating activities
   b) Financing activities
   c) Investing activities
   d) None of the above
   Answer: c) Investing activities

3. Which method of preparing the cash flow statement is preferred by IFRS?
   a) Direct method
   b) Indirect method
   c) Either method can be used
   d) None of the above
   Answer: c) Either method can be used

4. A decrease in accounts receivable would result in which of the following adjustments in the operating activities section of the cash flow statement?
   a) Add back
   b) Deduct
   c) No adjustment required
   d) None of the above
   Answer: a) Add back

5. Which of the following is not a cash outflow from financing activities?
   a) Dividends paid
   b) Issuance of bonds payable
   c) Repurchase of common stock
   d) Proceeds from the sale of equipment
   Answer: d) Proceeds from the sale of equipment

6. Which of the following is not considered an investing activity?
   a) Purchase of long-term investments
   b) Issuance of bonds payable
   c) Purchase of equipment
   d) Proceeds from the sale of land
   Answer: b) Issuance of bonds payable

7. A decrease in accounts payable would result in which of the following adjustments in the operating activities section of the cash flow statement?
   a) Add back
   b) Deduct
   c) No adjustment required

d) None of the above
Answer: b) Deduct

8. In the direct method of preparing the cash flow statement, which of the following items is included in the operating activities section?
a) Depreciation expense
b) Interest expense
c) Gain on sale of equipment
d) None of the above
Answer: d) None of the above

9. Which of the following is a cash inflow from financing activities?
a) Payment of dividends
b) Repurchase of common stock
c) Proceeds from the issuance of long-term debt
d) All of the above
Answer: c) Proceeds from the issuance of long-term debt

10. Which section of the cash flow statement shows the change in cash balance due to financing activities?
a) Operating activities
b) Financing activities
c) Investing activities
d) None of the above
Answer: b) Financing activities

Lec 40 - Cash Flow Statement (contd.)

1. **Which of the following is not a cash flow from operating activities under the indirect method of preparing cash flow statement?**
   a) Depreciation expense
   b) Interest expense
   c) Increase in accounts payable
   d) Dividends paid
   Answer: d) Dividends paid

2. **Which section of the cash flow statement shows the change in cash balance due to investing activities?**
   a) Operating activities
   b) Financing activities
   c) Investing activities
   d) None of the above
   Answer: c) Investing activities

3. **Which method of preparing the cash flow statement is preferred by IFRS?**
   a) Direct method
   b) Indirect method
   c) Either method can be used
   d) None of the above
   Answer: c) Either method can be used

4. **A decrease in accounts receivable would result in which of the following adjustments in the operating activities section of the cash flow statement?**
   a) Add back
   b) Deduct
   c) No adjustment required
   d) None of the above
   Answer: a) Add back

5. **Which of the following is not a cash outflow from financing activities?**
   a) Dividends paid
   b) Issuance of bonds payable
   c) Repurchase of common stock
   d) Proceeds from the sale of equipment
   Answer: d) Proceeds from the sale of equipment

6. **Which of the following is not considered an investing activity?**
   a) Purchase of long-term investments
   b) Issuance of bonds payable
   c) Purchase of equipment
   d) Proceeds from the sale of land
   Answer: b) Issuance of bonds payable

7. **A decrease in accounts payable would result in which of the following adjustments in the operating activities section of the cash flow statement?**
   a) Add back
   b) Deduct
   c) No adjustment required

d) None of the above
Answer: b) Deduct

8. **In the direct method of preparing the cash flow statement, which of the following items is included in the operating activities section?**
a) Depreciation expense
b) Interest expense
c) Gain on sale of equipment
d) None of the above
Answer: d) None of the above

9. **Which of the following is a cash inflow from financing activities?**
a) Payment of dividends
b) Repurchase of common stock
c) Proceeds from the issuance of long-term debt
d) All of the above
Answer: c) Proceeds from the issuance of long-term debt

10. **Which section of the cash flow statement shows the change in cash balance due to financing activities?**
a) Operating activities
b) Financing activities
c) Investing activities
d) None of the above
Answer: b) Financing activities

Lec 41 - Events after the Balance Sheet Date IAS-10

1. **What are events after the balance sheet date?**
   A. Events that occur after the reporting period but before the financial statements are authorized for issue.
   B. Events that occur after the financial statements are authorized for issue.
   C. Events that occur before the reporting period but after the financial statements are authorized for issue.
   D. Events that occur after the reporting period and after the financial statements are authorized for issue.

Answer: A.

2. **Which of the following is an example of a type 1 subsequent event?**
   A. Settlement of a lawsuit after the reporting period but before the financial statements are authorized for issue.
   B. Sale of a subsidiary after the financial statements are authorized for issue.
   C. Acquisition of a business before the reporting period but after the financial statements are authorized for issue.
   D. Payment of a dividend after the reporting period but before the financial statements are authorized for issue.

Answer: A.

3. **How should type 1 subsequent events be treated in the financial statements?**
   A. Adjusted in the financial statements.
   B. Disclosed in the notes to the financial statements.
   C. Not recognized or disclosed in the financial statements.
   D. Disclosed in the income statement.

Answer: A.

4. **What is the treatment for type 2 subsequent events?**
   A. Adjusted in the financial statements.
   B. Disclosed in the notes to the financial statements.
   C. Not recognized or disclosed in the financial statements.
   D. Disclosed in the income statement.

Answer: B.

5. **Which of the following events would be considered a type 2 subsequent event?**
   A. Settlement of a lawsuit after the reporting period but before the financial statements are authorized for issue.
   B. Sale of a subsidiary after the financial statements are authorized for issue.
   C. Acquisition of a business before the reporting period but after the financial statements are authorized for issue.
   D. Payment of a dividend after the reporting period but before the financial statements are authorized for issue.

Answer: B.

6. **How should events after the balance sheet date that do not require adjustment in the financial statements be disclosed?**
A. Disclosed in the income statement.
B. Disclosed in the balance sheet.
C. Disclosed in the notes to the financial statements.
D. Disclosed in the cash flow statement.

Answer: C.

7. **Which of the following events would require adjustment in the financial statements?**
A. Settlement of a lawsuit after the reporting period but before the financial statements are authorized for issue.
B. Sale of a subsidiary after the financial statements are authorized for issue.
C. Acquisition of a business before the reporting period but after the financial statements are authorized for issue.
D. Payment of a dividend after the reporting period but before the financial statements are authorized for issue.

Answer: A.

8. **How should an event after the balance sheet date that results in the recognition of a liability be disclosed?**
A. Disclosed in the income statement.
B. Disclosed in the balance sheet.
C. Disclosed in the notes to the financial statements.
D. Disclosed in the cash flow statement.

Answer: B.

9. **How should an event after the balance sheet date that results in the recognition of an asset be disclosed**?
A. Disclosed in the income statement.
B. Disclosed in the balance sheet.
C. Disclosed in the notes to the financial statements.
D. Disclosed in the cash flow statement.

Answer: C.

10. **Which of the following events would not be considered an event after the balance sheet date?**
A. Sale of inventory after the reporting period but before the financial statements are authorized for issue.
B. Settlement of a lawsuit after

Lec 42 - IAS-33 Earnings per Share

1. **What is the formula for basic earnings per share (EPS)?**
   A. (Net income - preferred dividends) / Weighted average common shares outstanding
   B. Net income / Weighted average common shares outstanding
   C. (Net income - preferred dividends) / Common shares outstanding at the beginning of the period
   D. None of the above

Answer: B. Net income / Weighted average common shares outstanding

2. **Which of the following items is not included in the calculation of diluted EPS?**
   A. Convertible preferred shares
   B. Convertible bonds
   C. Stock options
   D. Ordinary shares

Answer: D. Ordinary shares

3. **Which of the following statements is true about the computation of basic EPS?**
   A. The denominator should be based on the number of shares outstanding at the end of the period.
   B. The numerator should be adjusted for any changes in the number of shares outstanding during the period.
   C. The denominator should be based on the average number of shares outstanding during the period.
   D. None of the above

Answer: C. The denominator should be based on the average number of shares outstanding during the period.

4. **Which of the following is an example of a potential common share?**
   A. Convertible preferred shares
   B. Stock options
   C. Convertible bonds
   D. All of the above

Answer: D. All of the above

5. **Which of the following is an example of a dilutive security?**
   A. Convertible preferred shares
   B. Non-convertible preferred shares
   C. Ordinary shares
   D. All of the above

Answer: A. Convertible preferred shares

6. **Which of the following is not a factor that can affect the calculation of EPS?**
   A. Stock splits
   B. Bonus issues

C. Dividend payments
D. All of the above can affect the calculation of EPS

Answer: D. All of the above can affect the calculation of EPS

7. **Which of the following is not a requirement of IAS 33 regarding the presentation of EPS information in financial statements?**
   A. Companies must present both basic and diluted EPS figures.
   B. Companies must disclose the number of potential ordinary shares outstanding.
   C. Companies must disclose the dilutive effect of potential ordinary shares.
   D. All of the above are requirements of IAS 33.

Answer: D. All of the above are requirements of IAS 33.

8. **Which of the following is an example of a potentially dilutive security?**
   A. Convertible bonds
   B. Non-convertible bonds
   C. Common shares
   D. None of the above

Answer: A. Convertible bonds

9. **If a company has a net loss for the period, which of the following statements is true regarding the calculation of EPS?**
   A. Basic EPS is not calculated for a net loss period.
   B. Diluted EPS is not calculated for a net loss period.
   C. Basic and diluted EPS are both calculated for a net loss period.
   D. None of the above.

Answer: A. Basic EPS is not calculated for a net loss period.

10. **Which of the following items is not a potential ordinary share?**
    A. Common shares
    B. Convertible preferred shares
    C. Stock options
    D. All of the above are potential ordinary shares

Answer: B. Convertible preferred shares

Lec 43 - IAS-33 Earnings per Share & Financial Statements

1. **What does IAS-33 stand for?**
   a) International Accounting Standard 33
   b) International Audit Standard 33
   c) International Financial Reporting Standard 33
   d) International Stock Exchange Standard 33

Solution: a) International Accounting Standard 33

2. **What is the purpose of IAS-33?**
   a) To set out the guidelines for the calculation and disclosure of a company's earnings per share
   b) To set out the guidelines for the calculation and disclosure of a company's net income
   c) To set out the guidelines for the calculation and disclosure of a company's gross profit
   d) To set out the guidelines for the calculation and disclosure of a company's return on equity

Solution: a) To set out the guidelines for the calculation and disclosure of a company's earnings per share

3. **Which of the following is NOT required to calculate basic EPS?**
   a) Net income
   b) Weighted average number of outstanding common shares
   c) Convertible securities
   d) None of the above

Solution: c) Convertible securities

4. **What is the difference between basic EPS and diluted EPS?**
   a) Basic EPS takes into account the potential dilutive effect of convertible securities, while diluted EPS does not.
   b) Diluted EPS takes into account the potential dilutive effect of convertible securities, while basic EPS does not.
   c) Basic EPS and diluted EPS are the same thing.
   d) Basic EPS and diluted EPS are two different financial statements.

Solution: b) Diluted EPS takes into account the potential dilutive effect of convertible securities, while basic EPS does not.

5. **What is a potential ordinary share?**
   a) A share that has not been issued yet
   b) A security or instrument that has the potential to be converted into ordinary shares
   c) A share that has been repurchased by the company
   d) A share that has been retired by the company

Solution: b) A security or instrument that has the potential to be converted into ordinary shares

6. **Which of the following is NOT a potential ordinary share?**
   a) Convertible bond
   b) Stock option
   c) Warrant

d) Preferred stock

Solution: d) Preferred stock

7. **What is a simple capital structure?**
   a) A capital structure that has only common shares outstanding
   b) A capital structure that has only preferred shares outstanding
   c) A capital structure that has both common and preferred shares outstanding
   d) A capital structure that has convertible securities outstanding

Solution: a) A capital structure that has only common shares outstanding

8. **What is a complex capital structure?**
   a) A capital structure that has only common shares outstanding
   b) A capital structure that has only preferred shares outstanding
   c) A capital structure that has both common and preferred shares outstanding
   d) A capital structure that has potential ordinary shares outstanding

Solution: d) A capital structure that has potential ordinary shares outstanding

9. **What must companies disclose in their financial statements related to EPS?**
   a) Basic and diluted EPS figures
   b) The number of potential ordinary shares outstanding
   c) The dilutive effect of potential ordinary shares
   d) All of the above

Solution: d) All of the above

10. **Which of the following limitations of EPS is true?**
   a) EPS takes into account other important financial metrics such as operating expenses and capital expenditures
   b) Companies cannot manipulate EPS figures through share buybacks or other financial engineering tactics
   c) EPS only measures the profitability of a company on a per-share basis
   d) EPS is a perfect indicator of a company's financial health

Solution: c) EPS only measures the profitability of a company on a

Lec 44 - Presentation and Disclosure Requirements of Financial Statements –

1. **Which of the following is a required financial statement for publicly traded companies?**
   A) Income statement
   B) Statement of cash flows
   C) Balance sheet
   D) All of the above
   Answer: D

2. **Which of the following financial statement disclosures is required for public companies?**
   A) Accounting policies
   B) Contingencies
   C) Subsequent events
   D) All of the above
   Answer: D

3. **Which financial statement shows the company's revenue and expenses?**
   A) Balance sheet
   B) Statement of cash flows
   C) Income statement
   D) Statement of changes in equity
   Answer: C

4. **What is the purpose of the statement of cash flows?**
   A) To show the company's revenue and expenses
   B) To show the company's assets, liabilities, and equity
   C) To show the company's cash inflows and outflows
   D) To show changes in the company's equity
   Answer: C

5. **Which financial statement shows the company's assets, liabilities, and equity at a specific point in time?**
   A) Balance sheet
   B) Income statement
   C) Statement of cash flows
   D) Statement of changes in equity
   Answer: A

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

7. **Which of the following is a required disclosure in the notes to the financial statements?**
   A) Contingencies
   B) Business combinations
   C) Capital structure
   D) All of the above
   Answer: D

8. **Which of the following is a non-required disclosure in the notes to the financial statements?**
   A) Segment information
   B) Fair value measurements
   C) Accounting policies
   D) Contingencies
   Answer: A

9. **Which financial statement shows the company's net income or loss?**
   A) Balance sheet
   B) Income statement
   C) Statement of cash flows
   D) Statement of changes in equity
   Answer: B

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

Lec 45 - Presentation and Disclosure Requirements of Financial Statements – Revision (Contd)

1. **Which of the following is a key objective of the presentation and disclosure requirements of financial statements?**
   A) To provide information that is useful in making investment decisions
   B) To ensure that all information is presented in a standard format
   C) To hide negative information from stakeholders
   D) To minimize the amount of information disclosed

Answer: A

2. **Which section of the financial statements provides management's analysis of the company's financial performance and condition?**
   A) Balance sheet
   B) Income statement
   C) Statement of cash flows
   D) Management discussion and analysis (MD&A) section

Answer: D

3. **Which of the following is a required disclosure in the notes to the financial statements?**
   A) A breakdown of employee salaries by department
   B) Details of the company's marketing strategy
   C) Information about significant accounting policies
   D) A list of the company's major customers

Answer: C

4. **Which of the following is an example of a revision to financial statements?**
   A) Restating the financial statements due to a change in accounting standards
   B) Adding an explanation of a complex accounting treatment in the notes to the financial statements
   C) Including a segment report for the first time
   D) Providing an analysis of the company's financial performance in the auditor's report

Answer: A

5. **Which of the following is a disclosure requirement related to segment reporting?**
   A) Details of the company's major customers
   B) Information about significant accounting policies
   C) Analysis of the company's liquidity position
   D) Information about the company's operating segments

Answer: D

6. **What is the purpose of the auditor's report in financial statement disclosure?**
   A) To provide an opinion on the fairness of the financial statements
   B) To present management's analysis of the company's financial performance
   C) To provide a breakdown of the company's expenses by department

D) To provide information about the company's future prospects

Answer: A

7. **Which of the following is a required disclosure in the management discussion and analysis (MD&A) section?**
   A) A list of the company's major suppliers
   B) Analysis of the company's financial performance and condition
   C) Information about the company's product development pipeline
   D) Details of the company's manufacturing process

Answer: B

8. **Which of the following statements about financial statement revisions is true?**
   A) Revisions must be presented with the same level of transparency and disclosure as the original statements
   B) Revisions do not need to be disclosed to stakeholders
   C) Revisions should only be made if they result in a significant increase in net income
   D) Revisions should be presented in a way that minimizes the impact on stakeholders

Answer: A

9. **What is the purpose of segment reporting in financial statement disclosure?**
   A) To provide information about the company's major suppliers
   B) To provide information about the company's future prospects
   C) To provide information about the company's operating segments
   D) To provide information about the company's marketing strategy

Answer: C

10. **Which of the following is an example of a material change that would require disclosure in the notes to the financial statements?**
   A) A minor change in the company's accounting policy
   B) A change in the CEO's salary
   C) A significant increase in the company's bad debt expense
   D) A change in the company's office layout

Answer: C