MGT401
(Financial Accounting – II)

Important mcqs

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