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