

# MGT101

## FINANCIAL ACCOUNTING

### Important mcqs

#### Lec 23 - Bank Reconciliation Statement (Contd.)

1. **What is the purpose of a bank reconciliation statement?**

- A. To reconcile the bank balance with the book balance.
- B. To reconcile the bank balance with the cash balance.
- C. To reconcile the book balance with the cash balance.
- D. To reconcile the bank balance with the credit balance.

**Answer: A**

2. **What is an outstanding deposit in a bank reconciliation statement?**

- A. A deposit made in the bank but not yet credited by the bank.
- B. A deposit made in the bank but not yet debited by the bank.
- C. A deposit made in the book but not yet credited by the bank.
- D. A deposit made in the book but not yet debited by the bank.

**Answer: A**

3. **What is an outstanding check in a bank reconciliation statement?**

- A. A check issued by the bank but not yet cleared.
- B. A check issued by the book but not yet cleared by the bank.
- C. A check issued by the bank but not yet debited by the bank.
- D. A check issued by the book but not yet credited by the bank.

**Answer: B**

4. **When preparing a bank reconciliation statement, which balance is used as the starting point?**

- A. Bank balance.
- B. Book balance.
- C. Cash balance.
- D. Credit balance.

**Answer: B**

5. **Which of the following items would be added to the book balance in a bank reconciliation statement?**

- A. Bank service charges.
- B. Deposits in transit.
- C. Outstanding checks.
- D. NSF checks.

**Answer: B**

6. **Which of the following items would be deducted from the bank balance in a bank reconciliation statement?**
- A. Bank service charges.
  - B. Deposits in transit.
  - C. Outstanding checks.
  - D. NSF checks.

**Answer: A**

7. **Which of the following items would be deducted from the book balance in a bank reconciliation statement?**
- A. Bank service charges.
  - B. Deposits in transit.
  - C. Outstanding checks.
  - D. NSF checks.

**Answer: C**

8. **What is an NSF check?**
- A. A check issued by the bank but not yet cleared.
  - B. A check issued by the book but not yet cleared by the bank.
  - C. A check that has been dishonored by the bank due to insufficient funds.
  - D. A check that has been dishonored by the book due to insufficient funds.

**Answer: C**

9. **What is the purpose of a bank statement?**
- A. To record all transactions made by the bank.
  - B. To record all transactions made by the book.
  - C. To reconcile the bank balance with the book balance.
  - D. To reconcile the bank balance with the cash balance.

**Answer: A**

10. **Which of the following errors would cause the book balance to be greater than the bank balance in a bank reconciliation statement?**
- A. Failure to record a deposit in the book.
  - B. Failure to record a check in the book.
  - C. Recording a deposit in the book but not yet credited by the bank.
  - D. Recording a check in the book but not yet cleared by the bank.

**Answer: A**

## Lec 24 - Debtors, Creditors, Accruals and Provision for Bad Debts

1. **What are debtors in accounting?**

- a. Money owed to suppliers
- b. Money owed by a business to its customers
- c. Money owed by customers to a business

**Answer: c. Money owed by customers to a business**

2. **What are creditors in accounting?**

- a. Money owed by suppliers to a business
- b. Money owed by a business to its customers
- c. Money owed by customers to a business

**Answer: a. Money owed by suppliers to a business**

3. **What is the purpose of an accrual?**

- a. To record expenses that have been paid
- b. To record expenses that have not yet been paid
- c. To record revenue that has been earned

**Answer: b. To record expenses that have not yet been paid**

4. **What is the provision for bad debts?**

- a. A reserve set aside to cover potential losses from customers who may default on their payments
- b. An expense incurred but not yet paid
- c. Money owed by a business to its suppliers

**Answer: a. A reserve set aside to cover potential losses from customers who may default on their payments**

5. **Which account represents money owed to a business by its customers?**

- a. Debtors
- b. Creditors
- c. Accruals

**Answer: a. Debtors**

6. **Which account represents money owed by a business to its suppliers?**

- a. Debtors
- b. Creditors
- c. Accruals

**Answer: b. Creditors**

7. **What is the journal entry to record an accrual?**

- a. Debit expense, credit cash
- b. Debit expense, credit accrual
- c. Debit accrual, credit cash

**Answer: b. Debit expense, credit accrual**

8. **What is the journal entry to record a provision for bad debts?**

- a. Debit bad debts, credit cash
- b. Debit bad debts, credit provision for bad debts
- c. Debit provision for bad debts, credit cash

**Answer: c. Debit provision for bad debts, credit cash**

9. **How does the provision for bad debts impact the balance sheet?**

- a. Increases assets and decreases liabilities
- b. Decreases assets and increases liabilities
- c. Increases assets and increases liabilities

**Answer: b. Decreases assets and increases liabilities**

10. **What is the purpose of managing debtors, creditors, accruals, and provision for bad debts?**

- a. To maintain a healthy cash flow
- b. To maximize profits
- c. To minimize expenses

**Answer: a. To maintain a healthy cash flow**

## Lec 25 - Provision for Bad Debts and Control Accounts

1. **What is a provision for bad debts?**

- a) A reserve set aside to cover potential losses from customers who may default on their payments
- b) A reserve set aside to cover potential profits from customers who may default on their payments
- c) A reserve set aside to cover potential expenses from customers who may default on their payments

**Answer: a**

2. **How does a provision for bad debts impact a business's financial statements?**

- a) It increases the value of accounts receivable on the balance sheet
- b) It decreases the value of accounts receivable on the balance sheet
- c) It has no impact on the value of accounts receivable on the balance sheet

**Answer: b**

3. **What are control accounts?**

- a) Accounts that provide a summary of all transactions related to a particular category of accounts
- b) Accounts that provide a summary of all transactions related to a particular invoice
- c) Accounts that provide a summary of all transactions related to a particular supplier

**Answer: a**

4. **How can businesses use control accounts?**

- a) To track and manage their accounts payable and accounts receivable
- b) To track and manage their inventory
- c) To track and manage their fixed assets

**Answer: a**

5. **What is the purpose of a control account?**

- a) To provide a summary of all transactions related to a particular category of accounts
- b) To provide detailed information about each individual transaction
- c) To provide information about the financial performance of a business

**Answer: a**

6. **What is the journal entry to record a provision for bad debts?**

- a) Debit bad debts expense, credit accounts payable
- b) Debit accounts receivable, credit bad debts expense
- c) Debit provision for bad debts, credit bad debts expense

**Answer: c**

7. **How can businesses reduce the risk of bad debts?**

- a) By performing credit checks on customers
- b) By increasing their credit limits for customers
- c) By extending payment terms for customers

**Answer: a**

8. **What is the impact of a provision for bad debts on a business's income statement?**

- a) It increases net income
- b) It decreases net income
- c) It has no impact on net income

**Answer: b**

9. **How can businesses determine the appropriate amount for a provision for bad debts?**
- a) By estimating the percentage of accounts receivable that may be uncollectible
  - b) By calculating the total amount of accounts receivable
  - c) By calculating the total amount of accounts payable

**Answer: a**

10. **What is the purpose of a provision for bad debts?**
- a) To account for potential losses from customers who may default on their payments
  - b) To account for potential profits from customers who may default on their payments
  - c) To account for potential expenses from customers who may default on their payments

**Answer: a**

## Lec 26 - Control Accounts (Contd.)

1. Which of the following is a benefit of using control accounts in accounting?

- a. They provide detailed information about individual transactions.
- b. They help businesses to manage their cash flow more effectively.
- c. They reduce the risk of bad debts.
- d. They provide a summary of all outstanding balances.

**Answer: d. They provide a summary of all outstanding balances.**

2. Which of the following is an example of a control account?

- a. Accounts payable ledger
- b. Sales journal
- c. Cash receipts journal
- d. General ledger

**Answer: a. Accounts payable ledger**

3. Which of the following is a disadvantage of using control accounts in accounting?

- a. They are time-consuming to maintain.
- b. They are prone to errors and discrepancies.
- c. They provide limited information about individual transactions.
- d. They do not provide a summary of outstanding balances.

**Answer: c. They provide limited information about individual transactions.**

4. How do control accounts help businesses to manage their accounts receivable?

- a. By recording all transactions related to accounts payable in the control account.
- b. By providing a summary of all outstanding balances.
- c. By identifying overdue payments and monitoring the creditworthiness of customers.
- d. By reducing the risk of bad debts.

**Answer: c. By identifying overdue payments and monitoring the creditworthiness of customers.**

5. Which of the following is a disadvantage of using control accounts for managing accounts payable?

- a. They do not provide a summary of outstanding balances.
- b. They are time-consuming to maintain.
- c. They provide limited information about individual transactions.
- d. They are prone to errors and discrepancies.

**Answer: b. They are time-consuming to maintain.**

6. What is the purpose of recording transactions related to accounts receivable in the control account?

- a. To provide a summary of all outstanding balances.
- b. To identify overdue payments and monitor the creditworthiness of customers.
- c. To reduce the risk of bad debts.
- d. To provide detailed information about individual transactions.

**Answer: a. To provide a summary of all outstanding balances.**

7. **Which of the following is an example of a control account for managing accounts receivable?**
- a. Accounts payable ledger
  - b. Cash receipts journal
  - c. Sales journal
  - d. Accounts receivable ledger

**Answer: d. Accounts receivable ledger**

8. **How do control accounts help businesses to manage their cash flow more effectively?**
- a. By reducing the risk of bad debts.
  - b. By providing a summary of all outstanding balances.
  - c. By identifying overdue payments and monitoring the creditworthiness of customers.
  - d. By recording all transactions related to accounts payable in the control account.

**Answer: b. By providing a summary of all outstanding balances.**

9. **Which of the following is a disadvantage of using control accounts for managing accounts receivable?**
- a. They provide limited information about individual transactions.
  - b. They do not provide a summary of outstanding balances.
  - c. They are prone to errors and discrepancies.
  - d. They are time-consuming to maintain.

**Answer: a. They provide limited information about individual transactions.**

10. **What is the purpose of recording transactions related to accounts payable in the control account?**
- a. To provide a summary of all outstanding balances.
  - b. To identify overdue payments and monitor the creditworthiness of suppliers.
  - c. To reduce the risk of bad debts.
  - d. To provide detailed information about individual transactions.

**Answer: b. To identify overdue payments and monitor the creditworthiness of suppliers.**



## Lec 27 - Control Accounts (Contd.)Part 2

1. **What is the purpose of control accounts?**

- A) To monitor and manage balances of related accounts
- B) To detect and prevent errors and fraud in accounting systems
- C) To track expenses related to a particular project or department
- D) All of the above

**Answer: D**

2. **Which type of control account is used to track all purchases made by the business?**

- A) Sales ledger control account
- B) Bank control account
- C) Purchases ledger control account
- D) None of the above

**Answer: C**

3. **What is the benefit of maintaining accurate and up-to-date control accounts?**

- A) Provides a reliable snapshot of the business's financial position
- B) Enables businesses to track their accounts and manage their cash flow
- C) Helps businesses make informed decisions about their operations
- D) All of the above

**Answer: D**

4. **How can control accounts be used to prevent errors and fraud in accounting systems?**

- A) By regularly reconciling control accounts with subsidiary ledgers
- B) By identifying discrepancies and investigating them
- C) By ensuring the integrity of the financial reporting process
- D) All of the above

**Answer: D**

5. **Which of the following is not a type of control account?**

- A) Sales ledger control account
- B) Purchases ledger control account
- C) Bank control account
- D) Payroll control account

**Answer: D**

6. **Why is regular reconciliation of control accounts with subsidiary ledgers important?**

- A) To detect discrepancies and investigate them
- B) To ensure the accuracy of financial records
- C) To prevent incorrect entries or deliberate manipulation of accounts
- D) All of the above

**Answer: D**

7. **What is the role of a bank control account?**

- A) To reconcile the balances of the business's various bank accounts
- B) To track all sales transactions
- C) To monitor expenses related to a particular project or department
- D) None of the above

**Answer: A**

8. **How do control accounts provide a strong foundation for sound financial decision-making?**

- A) By ensuring that financial records are accurate and reliable
- B) By providing a clear picture of the business's financial position
- C) By helping businesses track their accounts and manage their cash flow
- D) All of the above

**Answer: D**

9. **What is the benefit of using control accounts to monitor the performance of a particular product line?**

- A) Helps businesses identify profitable products and focus on them
- B) Provides a clear picture of the business's overall financial performance
- C) Helps businesses identify areas for improvement
- D) All of the above

**Answer: D**

What is the primary purpose of control accounts?

10. d accounts

- B) To track expenses related to a particular project or department
- C) To detect and prevent errors and fraud in accounting systems
- D) To provide a clear picture of the business's overall financial performance

**Answer: A**

## Lec 28 - Rectification of Errors

- 1. Which of the following is an error of omission?**
  - A) Recording a transaction twice
  - B) Recording a transaction in the wrong account
  - C) Failing to record a transaction
  - D) Recording an incorrect amount for a transaction**Answer: C) Failing to record a transaction**
- 2. Which type of error occurs when a transaction is recorded in the wrong account?**
  - A) Error of principle
  - B) Error of omission
  - C) Error of commission
  - D) Compensating error**Answer: A) Error of principle**
- 3. What is the purpose of the suspense account in rectifying errors?**
  - A) To correct errors in the trial balance
  - B) To temporarily hold the balance of an incorrect account
  - C) To identify the source of an error
  - D) To reconcile the bank statement**Answer: B) To temporarily hold the balance of an incorrect account**
- 4. Which of the following errors is a compensating error?**
  - A) Recording a transaction in the wrong account
  - B) Recording an incorrect amount for a transaction
  - C) Recording a transaction twice
  - D) Failing to record a transaction**Answer: C) Recording a transaction twice**
- 5. What is the first step in the process of rectifying errors?**
  - A) Identifying the error
  - B) Correcting the error
  - C) Posting the correction to the ledger
  - D) Preparing a corrected trial balance**Answer: A) Identifying the error**
- 6. Which type of error occurs when a transaction is recorded at the wrong amount?**
  - A) Error of principle
  - B) Error of omission
  - C) Error of commission
  - D) Compensating error**Answer: C) Error of commission**
- 7. Which of the following is an example of an error of original entry?**
  - A) Recording a transaction in the wrong account
  - B) Recording an incorrect amount for a transaction
  - C) Failing to record a transaction
  - D) Making a mistake in the journal**Answer: D) Making a mistake in the journal**

8. **Which of the following is a technique used to locate errors when the trial balance does not balance?**
- A) Reconciliation
  - B) Compensating errors
  - C) Suspense account
  - D) Trial balance correction

**Answer: A) Reconciliation**

9. **Which of the following is an error of commission?**

- A) Recording a transaction in the wrong account
- B) Recording an incorrect amount for a transaction
- C) Failing to record a transaction
- D) Recording a transaction twice

**Answer: B) Recording an incorrect amount for a transaction**

10. **When a suspense account is used to temporarily hold an incorrect account balance, what happens to the balance when the error is corrected?**

- A) The balance is transferred to the correct account
- B) The balance is written off as a loss
- C) The balance is adjusted in the next accounting period
- D) The balance is removed from the accounts

**Answer: A) The balance is transferred to the correct account**

## Lec 29 - Presentation of Financial Statements

1. **Which of the following financial statements reports an entity's financial position as of a specific date?**
  - a. Income statement
  - b. Balance sheet
  - c. Statement of changes in equity
  - d. Cash flow statement

**Solution: b. Balance sheet**

2. **Which financial statement shows the entity's revenues and expenses during a period of time?**
  - a. Income statement
  - b. Balance sheet
  - c. Statement of changes in equity
  - d. Cash flow statement

**Solution: a. Income statement**

3. **What is the purpose of the statement of changes in equity?**
  - a. To show the net cash inflows and outflows during a period
  - b. To report changes in equity accounts during a period
  - c. To report the entity's financial position as of a specific date
  - d. To show the entity's revenues and expenses during a period

**Solution: b. To report changes in equity accounts during a period**

4. **Which financial statement shows the changes in the entity's cash and cash equivalents during a period?**
  - a. Income statement
  - b. Balance sheet
  - c. Statement of changes in equity
  - d. Cash flow statement

**Solution: d. Cash flow statement**

5. **Which of the following financial statements is not required for a small business according to the Generally Accepted Accounting Principles (GAAP)?**
  - a. Income statement
  - b. Balance sheet
  - c. Statement of changes in equity
  - d. Cash flow statement

**Solution: d. Cash flow statement**

6. **What is the purpose of the notes to the financial statements?**
  - a. To provide additional information and explanations about the financial statements

- b. To report the entity's financial position as of a specific date
- c. To show the net cash inflows and outflows during a period
- d. To show the entity's revenues and expenses during a period

**Solution: a. To provide additional information and explanations about the financial statements**

7. **Which of the following is not an asset on the balance sheet?**
- a. Accounts payable
  - b. Cash and cash equivalents
  - c. Inventory
  - d. Property, plant, and equipment

**Solution: a. Accounts payable**

8. **Which financial statement shows the entity's net income or net loss for a period?**
- a. Income statement
  - b. Balance sheet
  - c. Statement of changes in equity
  - d. Cash flow statement

**Solution: a. Income statement**

9. **Which of the following is not a type of financial statement analysis?**
- a. Vertical analysis
  - b. Horizontal analysis
  - c. Ratio analysis
  - d. Annual analysis

**Solution: d. Annual analysis**

10. **Which of the following is a limitation of financial statement analysis?**
- a. It is based on historical data
  - b. It does not consider qualitative factors
  - c. It relies on estimates and assumptions
  - d. All of the above

**Solution: d. All of the above**

## Lec 30 - Presentation of Financial Statements (Continued)

1. **What is the purpose of presenting financial statements?**
  - A. To provide a summary of financial performance and position
  - B. To determine the value of the entity
  - C. To determine tax liabilities
  - D. To pay dividends**Answer: A**
  
2. **Which financial statement reports an entity's financial position as of a specific date?**
  - A. Income statement
  - B. Balance sheet
  - C. Statement of changes in equity
  - D. Cash flow statement**Answer: B**
  
3. **What is the purpose of the notes to the financial statements?**
  - A. To provide additional information and explanations about the financial statements
  - B. To report changes in equity accounts
  - C. To report changes in cash and cash equivalents
  - D. To analyze financial trends over a period**Answer: A**
  
4. **Which financial statement reports the changes in an entity's equity accounts during a period?**
  - A. Income statement
  - B. Balance sheet
  - C. Statement of changes in equity
  - D. Cash flow statement**Answer: C**
  
5. **What is the significance of adhering to GAAP or IFRS in financial reporting?**
  - A. Ensures financial statements are prepared in a consistent, transparent, and accurate manner
  - B. Determines the value of the entity
  - C. Provides guidelines for tax reporting
  - D. Determines dividend payouts**Answer: A**
  
6. **What is the purpose of vertical analysis?**
  - A. To analyze financial trends over a period
  - B. To evaluate an entity's financial performance and position
  - C. To report changes in equity accounts
  - D. To analyze relationships between items on a financial statement**Answer: D**
  
7. **Which financial statement reports an entity's revenues and expenses during a period?**
  - A. Income statement
  - B. Balance sheet
  - C. Statement of changes in equity
  - D. Cash flow statement**Answer: A**

8. **What is the purpose of ratio analysis?**

- A. To evaluate an entity's financial performance and position
- B. To analyze financial trends over a period
- C. To report changes in equity accounts
- D. To analyze relationships between items on a financial statement

**Answer: A**

9. **Which financial statement reports the changes in an entity's cash and cash equivalents during a period?**

- A. Income statement
- B. Balance sheet
- C. Statement of changes in equity
- D. Cash flow statement

**Answer: D**

10. **What is the purpose of horizontal analysis?**

- A. To analyze relationships between items on a financial statement
- B. To evaluate an entity's financial performance and position
- C. To report changes in equity accounts
- D. To analyze financial trends over a period

**Answer: D**



## Lec 31 - Types of Business Entities

1. **Which of the following is not a type of business entity?**
  - a) Sole proprietorship
  - b) Partnership
  - c) Limited liability partnership
  - d) Limited liability corporation**Answer: c) Limited liability partnership**
  
2. **Which type of business entity has unlimited personal liability for the owners?**
  - a) Corporation
  - b) Limited liability company
  - c) Partnership
  - d) Sole proprietorship**Answer: d) Sole proprietorship**
  
3. **Which type of business entity offers limited liability protection for its owners?**
  - a) Corporation
  - b) Partnership
  - c) Sole proprietorship
  - d) All of the above**Answer: a) Corporation**
  
4. **Which type of business entity is not a separate legal entity from its owners?**
  - a) Corporation
  - b) Limited liability company
  - c) Partnership
  - d) Sole proprietorship**Answer: d) Sole proprietorship**
  
5. **Which type of business entity is subject to double taxation?**
  - a) Corporation
  - b) Partnership
  - c) Sole proprietorship
  - d) Limited liability company**Answer: a) Corporation**
  
6. **Which type of business entity requires a board of directors and shareholder meetings?**
  - a) Corporation
  - b) Partnership
  - c) Limited liability company
  - d) Sole proprietorship**Answer: a) Corporation**
  
7. **Which type of business entity has pass-through taxation?**
  - a) Corporation
  - b) Limited liability company
  - c) Partnership
  - d) Sole proprietorship**Answer: c) Partnership**

8. **Which type of business entity offers flexibility in management and ownership structure?**
- a) Corporation
  - b) Partnership
  - c) Limited liability company
  - d) Sole proprietorship

**Answer: c) Limited liability company**

9. **Which type of business entity is owned and operated by its members for their mutual benefit?**
- a) Corporation
  - b) Partnership
  - c) Limited liability company
  - d) Cooperative

**Answer: d) Cooperative**

10. **Which type of business entity offers limited liability protection and pass-through taxation?**
- a) Corporation
  - b) Limited liability company
  - c) Partnership
  - d) Sole proprietorship

**Answer: b) Limited liability company**

## Lec 32 - Financial Statements of Sole Proprietorship

1. **Which financial statement shows a company's revenues and expenses over a period?**

- a) Income statement
- b) Balance sheet
- c) Statement of cash flows
- d) Statement of changes in equity

**Answer: a) Income statement**

2. **What is the purpose of an income statement?**

- a) To show the financial position of a company
- b) To show the cash inflows and outflows of a company
- c) To show the revenues and expenses of a company
- d) To show the changes in equity of a company

**Answer: c) To show the revenues and expenses of a company**

3. **Which financial statement shows a company's assets, liabilities, and equity at a specific point in time?**

- a) Income statement
- b) Balance sheet
- c) Statement of cash flows
- d) Statement of changes in equity

**Answer: b) Balance sheet**

4. **What is the purpose of a balance sheet?**

- a) To show the financial position of a company
- b) To show the cash inflows and outflows of a company
- c) To show the revenues and expenses of a company
- d) To show the changes in equity of a company

**Answer: a) To show the financial position of a company**

5. **Which financial statement shows the cash inflows and outflows of a company?**

- a) Income statement
- b) Balance sheet
- c) Statement of cash flows
- d) Statement of changes in equity

**Answer: c) Statement of cash flows**

6. **What is the purpose of a statement of cash flows?**

- a) To show the financial position of a company
- b) To show the cash inflows and outflows of a company
- c) To show the revenues and expenses of a company
- d) To show the changes in equity of a company

**Answer: b) To show the cash inflows and outflows of a company**

7. **Which financial statement shows the changes in equity of a company over a period?**

- a) Income statement
- b) Balance sheet
- c) Statement of cash flows
- d) Statement of changes in equity

**Answer: d) Statement of changes in equity**

8. **What is the purpose of a statement of changes in equity?**

- a) To show the financial position of a company
- b) To show the cash inflows and outflows of a company
- c) To show the revenues and expenses of a company
- d) To show the changes in equity of a company

**Answer: d) To show the changes in equity of a company**

9. **Which financial statement is most useful for analyzing a company's cash flow?**

- a) Income statement
- b) Balance sheet
- c) Statement of cash flows
- d) Statement of changes in equity

**Answer: c) Statement of cash flows**

10. **Which financial statement is most useful for analyzing a company's profitability?**

- a) Income statement
- b) Balance sheet
- c) Statement of cash flows
- d) Statement of changes in equity

**Answer: a) Income statement**

## Lec 33 - Financial Statements of Manufacturing Concern

1. **What is the purpose of the income statement in a manufacturing concern?**
- To show the financial position of the business
  - To measure the liquidity of the business
  - To monitor the profitability of the business
  - To report the cost of goods manufactured and sold

**Answer: c. To monitor the profitability of the business**

2. **Which of the following is not an asset of a manufacturing concern?**
- Raw materials
  - Work-in-progress
  - Finished goods
  - Accounts payable

**Answer: d. Accounts payable**

3. **What is the purpose of the balance sheet in a manufacturing concern?**
- To show the financial position of the business
  - To measure the liquidity of the business
  - To monitor the profitability of the business
  - To report the cost of goods manufactured and sold

**Answer: a. To show the financial position of the business**

4. **Which financial statement shows the cost of goods manufactured and sold?**
- Income statement
  - Balance sheet
  - Statement of cash flows
  - Statement of cost of goods manufactured and sold

**Answer: d. Statement of cost of goods manufactured and sold**

5. **What is the purpose of the statement of cash flows in a manufacturing concern?**
- To show the financial position of the business
  - To measure the liquidity of the business
  - To monitor the profitability of the business
  - To monitor the cash flow of the business

**Answer: d. To monitor the cash flow of the business**

6. **Which of the following is not a liability of a manufacturing concern?**
- Accounts payable
  - Loans payable
  - Work-in-progress
  - Accrued expenses

**Answer: c. Work-in-progress**

7. **What is the purpose of the statement of cost of goods manufactured and sold?**
- a. To show the financial position of the business
  - b. To measure the liquidity of the business
  - c. To monitor the profitability of the business
  - d. To report the cost of goods sold during the period

**Answer: d. To report the cost of goods sold during the period**

8. **Which financial statement shows the cash inflows and outflows of a manufacturing concern?**
- a. Income statement
  - b. Balance sheet
  - c. Statement of cash flows
  - d. Statement of cost of goods manufactured and sold

**Answer: c. Statement of cash flows**

9. **Which of the following is an example of a manufacturing concern asset?**
- a. Accounts receivable
  - b. Inventory of finished goods
  - c. Prepaid expenses
  - d. Common stock

**Answer: b. Inventory of finished goods**

10. **What is the purpose of financial statements in a manufacturing concern?**
- a. To satisfy the reporting requirements of external stakeholders
  - b. To monitor the profitability, financial position, and cash flow of the business
  - c. To make informed business decisions
  - d. All of the above

**Answer: d. All of the above**

## Lec 34 - Financial Statements of Partnership

1. **Which financial statement shows the revenue, expenses, and net income of a partnership?**
  - a) Income statement
  - b) Balance sheet
  - c) Statement of partners' equity
  - d) Statement of cash flows**Answer: a) Income statement**
  
2. **Which financial statement shows the assets, liabilities, and equity of a partnership at a specific point in time?**
  - a) Income statement
  - b) Balance sheet
  - c) Statement of partners' equity
  - d) Statement of cash flows**Answer: b) Balance sheet**
  
3. **Which financial statement shows the changes in each partner's capital account over a specific period?**
  - a) Income statement
  - b) Balance sheet
  - c) Statement of partners' equity
  - d) Statement of cash flows**Answer: c) Statement of partners' equity**
  
4. **What is the primary purpose of financial statements in a partnership?**
  - a) To provide information about the partners' salaries
  - b) To provide information about the partnership's legal structure
  - c) To provide information about the partnership's financial position and performance
  - d) To provide information about the partnership's marketing strategies**Answer: c) To provide information about the partnership's financial position and performance**
  
5. **Which of the following items would be included in the income statement of a partnership?**
  - a) Partners' capital contributions
  - b) Interest income
  - c) Accounts payable
  - d) Equipment purchased**Answer: b) Interest income**
  
6. **Which financial statement would show the balance of each partner's capital account at the end of the period?**
  - a) Income statement
  - b) Balance sheet
  - c) Statement of partners' equity
  - d) Statement of cash flows**Answer: c) Statement of partners' equity**
  
7. **Which financial statement would show the cash inflows and outflows of the partnership during the period?**

- a) Income statement
- b) Balance sheet
- c) Statement of partners' equity
- d) Statement of cash flows

**Answer: d) Statement of cash flows**

8. **Which of the following items would be included in the balance sheet of a partnership?**

- a) Interest expense
- b) Accounts receivable
- c) Sales revenue
- d) Salaries paid to partners

**Answer: b) Accounts receivable**

9. **Which financial statement would show the amount of revenue generated by the partnership during the period?**

- a) Income statement
- b) Balance sheet
- c) Statement of partners' equity
- d) Statement of cash flows

**Answer: a) Income statement**

10. **Which financial statement would show the amount of net income allocated to each partner at the end of the period?**

- a) Income statement
- b) Balance sheet
- c) Statement of partners' equity
- d) Statement of cash flows

**Answer: c) Statement of partners' equity**



## Lec 35 - Mark Up on Capital and Drawings

1. **What is mark up on capital in a partnership?**
- A) Interest charged on the partnership's capital investments
  - B) Interest charged on a partner's capital contribution
  - C) A fee charged for managing the partnership's capital
  - D) A fee charged for withdrawing capital from the partnership

**Answer: B) Interest charged on a partner's capital contribution**

2. **What is mark up on drawings in a partnership?**
- A) Interest charged on a partner's capital contribution
  - B) A fee charged for managing the partnership's capital
  - C) A fee charged for withdrawing capital from the partnership
  - D) Interest charged on a partner's personal drawings

**Answer: D) Interest charged on a partner's personal drawings**

3. **How is mark up on capital calculated in a partnership?**
- A) A fixed percentage of the partnership's total assets
  - B) A percentage of the partner's capital contribution
  - C) A percentage of the partner's personal drawings
  - D) A fixed percentage of the partnership's net income

**Answer: B) A percentage of the partner's capital contribution**

4. **How is mark up on drawings calculated in a partnership?**
- A) A fixed percentage of the partnership's total assets
  - B) A percentage of the partner's capital contribution
  - C) A percentage of the partner's personal drawings
  - D) A fixed percentage of the partnership's net income

**Answer: C) A percentage of the partner's personal drawings**

5. **Who is responsible for setting the mark up on capital and drawings in a partnership?**
- A) The partnership's accountant
  - B) The partnership agreement
  - C) The government regulatory agency
  - D) The partnership's investors

**Answer: B) The partnership agreement**

6. **What is the purpose of mark up on capital and drawings in a partnership?**
- A) To generate additional revenue for the partnership
  - B) To ensure partners are compensated for their investment and personal use of partnership funds
  - C) To discourage partners from withdrawing funds from the partnership
  - D) To reduce the amount of taxable income for the partnership

**Answer: B) To ensure partners are compensated for their investment and personal use of partnership funds**

7. **What impact does mark up on capital and drawings have on a partner's share of profits or losses?**
- A) It increases a partner's share of profits and decreases their share of losses
  - B) It decreases a partner's share of profits and increases their share of losses
  - C) It has no impact on a partner's share of profits or losses
  - D) It depends on the specific terms of the partnership agreement

**Answer: B) It decreases a partner's share of profits and increases their share of losses**

8. **What financial statement would mark up on capital and drawings be included in?**
- A) Balance sheet
  - B) Income statement
  - C) Statement of changes in equity
  - D) Cash flow statement

**Answer: B) Income statement**

9. **How often is mark up on capital and drawings typically calculated and charged?**
- A) Monthly
  - B) Quarterly
  - C) Annually
  - D) As needed

**Answer: C) Annually**

10. **Can mark up on capital and drawings be waived or modified in a partnership agreement?**
- A) No, it is a mandatory requirement for all partnerships
  - B) Yes, but only with the approval of all partners
  - C) Yes, with the approval of a majority of partners
  - D) Yes, with the approval of a designated partner or committee

**Answer: D) Yes, with the approval of a designated partner or committee**

## Lec 36 - Introduction to Companies

1. Which of the following legal structures is typically the simplest and easiest to set up?
- Partnership
  - Corporation
  - Sole proprietorship
  - Limited liability company

**Solution: c) Sole proprietorship**

2. Which of the following is NOT a characteristic of a corporation?
- Limited liability
  - Perpetual existence
  - Ownership by shareholders
  - Partnership structure

**Solution: d) Partnership structure**

3. Which of the following financing options involves selling ownership shares in a company to investors?
- Debt financing
  - Equity financing
  - Crowdfunding
  - Venture capital

**Solution: b) Equity financing**

4. Which of the following is NOT a key role in a corporation's governance structure?
- CEO
  - Board of directors
  - Shareholders
  - Management team

**Solution: d) Management team**

5. Which of the following is a benefit of incorporating a business?
- Simple and low-cost set up
  - Unlimited liability
  - Perpetual existence
  - Personal tax liability for profits

**Solution: c) Perpetual existence**

6. Which of the following is a responsibility of a company's board of directors?
- Day-to-day management of the company
  - Setting long-term strategy
  - Conducting market research
  - Sales and marketing

**Solution: b) Setting long-term strategy**

7. **Which of the following is NOT a factor in determining a company's competitive landscape?**
- a) Market demand
  - b) Consumer preferences
  - c) Government regulations
  - d) Employee salaries

**Solution: d) Employee salaries**

8. **Which of the following is a potential disadvantage of a sole proprietorship?**
- a) Unlimited liability
  - b) Difficulty raising capital
  - c) Complex legal structure
  - d) Limited control

**Solution: a) Unlimited liability**

9. **Which of the following is a responsibility of a company's CEO?**
- a) Setting long-term strategy
  - b) Approving day-to-day expenses
  - c) Hiring and firing employees
  - d) Conducting market research

**Solution: a) Setting long-term strategy**

10. **Which of the following is a type of social responsibility that companies may engage in?**
- a) Donating to political campaigns
  - b) Offering low wages to employees
  - c) Implementing environmentally sustainable practices
  - d) Avoiding taxes

**Solution: c) Implementing environmentally sustainable practices**

## Lec 37 - Components of Financial Statements

1. Which of the following financial statements shows a company's financial position at a specific point in time?

- a) Income statement
- b) Statement of cash flows
- c) Balance sheet
- d) Statement of changes in equity

**Answer: c) Balance sheet**

2. Which of the following is a component of the income statement?

- a) Cash flows from operating activities
- b) Retained earnings
- c) Gross profit
- d) Beginning balance of cash

**Answer: c) Gross profit**

3. Which financial statement reports a company's cash inflows and outflows during a specific period?

- a) Balance sheet
- b) Income statement
- c) Statement of cash flows
- d) Statement of changes in equity

**Answer: c) Statement of cash flows**

4. Which financial statement shows changes in a 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) Statement of changes in equity**

5. What does the income statement report?

- a) The company's financial position at a specific point in time
- b) The company's cash inflows and outflows during a specific period
- c) The company's revenues, expenses, and net income or loss for a specific period
- d) The changes in the company's equity over a period of time

**Answer: c) The company's revenues, expenses, and net income or loss for a specific period**

6. Which of the following is a current asset?

- a) Building
- b) Inventory
- c) Patent
- d) Trademark

**Answer: b) Inventory**

7. Which of the following is a component of the statement of cash flows?

- a) Net income
- b) Retained earnings
- c) Depreciation expense
- d) Beginning balance of accounts payable

**Answer: c) Depreciation expense**

8. **Which of the following is a long-term liability?**

- a) Accounts payable
- b) Notes payable due within one year
- c) Salaries payable
- d) Bonds payable

**Answer: d) Bonds payable**

9. **Which financial statement reports the changes in a company's cash balance during a specific period?**

- a) Balance sheet
- b) Income statement
- c) Statement of cash flows
- d) Statement of changes in equity

**Answer: c) Statement of cash flows**

10. **What is the formula for calculating net income?**

- a) Total assets minus total liabilities
- b) Total revenues minus total expenses
- c) Beginning balance plus ending balance divided by 2
- d) Total cash inflows minus total cash outflows

**Answer: b) Total revenues minus total expenses**

## Lec 38 - Financial Statements of Limited Companies

1. **What is the primary financial statement that reports a company's financial position at a specific point in time?**
  - a) Income statement
  - b) Statement of cash flows
  - c) Balance sheet
  - d) Statement of changes in equity**Answer: c) Balance sheet**
  
2. **Which financial statement reports a company's revenues, expenses, and net income or loss for a specific period?**
  - a) Balance sheet
  - b) Income statement
  - c) Statement of cash flows
  - d) Statement of changes in equity**Answer: b) Income statement**
  
3. **What is the purpose of the statement of cash flows?**
  - a) Report a company's financial position at a specific point in time
  - b) Report a company's revenues, expenses, and net income or loss for a specific period
  - c) Report a company's cash inflows and outflows during a specific period
  - d) Report the changes in a company's equity over a period of time**Answer: c) Report a company's cash inflows and outflows during a specific period**
  
4. **What is the primary financial statement that reports the changes in a company's equity over a period of time?**
  - a) Income statement
  - b) Statement of cash flows
  - c) Balance sheet
  - d) Statement of changes in equity**Answer: d) Statement of changes in equity**
  
5. **Which financial statement includes information about a company's current assets and liabilities?**
  - a) Income statement
  - b) Statement of cash flows
  - c) Balance sheet
  - d) Statement of changes in equity**Answer: c) Balance sheet**
  
6. **What is the primary financial statement used to evaluate a company's liquidity?**
  - a) Income statement
  - b) Statement of cash flows
  - c) Balance sheet
  - d) Statement of changes in equity**Answer: b) Statement of cash flows**
  
7. **Which financial statement includes information about a company's revenues, cost of goods sold, and gross profit?**
  - a) Income statement
  - b) Statement of cash flows

- c) Balance sheet
- d) Statement of changes in equity

**Answer: a) Income statement**

8. **Which financial statement includes information about a company's long-term assets and liabilities?**

- a) Income statement
- b) Statement of cash flows
- c) Balance sheet
- d) Statement of changes in equity

**Answer: c) Balance sheet**

9. **What is the purpose of the notes to the financial statements?**

- a) To provide additional details about the company's financial statements
- b) To provide a summary of the company's financial performance
- c) To report a company's cash inflows and outflows during a specific period
- d) To report the changes in a company's equity over a period of time

**Answer: a) To provide additional details about the company's financial statements**

10. **Which financial statement includes information about a company's stock issuances, dividends, and net income?**

- a) Income statement
- b) Statement of cash flows
- c) Balance sheet
- d) Statement of changes in equity

**Answer: d) Statement of changes in equity**



## Lec 39 - Financial Statements of Limited Companies (Contd.)

1. **Which of the following financial statements reports a company's revenues, expenses, and net income or loss for a specific period?**
  - a) Balance sheet
  - b) Income statement
  - c) Statement of cash flows
  - d) Statement of changes in equity**Answer: b) Income statement**
  
2. **Which financial statement reports the assets, liabilities, and equity of a company 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) Balance sheet**
  
3. **Which financial statement reports the changes in a 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) Statement of changes in equity**
  
4. **What are the key components of financial statements for a limited company?**
  - a) Balance sheet, income statement, and statement of cash flows
  - b) Balance sheet, income statement, statement of cash flows, and notes to the financial statements
  - c) Income statement and statement of cash flows
  - d) Balance sheet only**Answer: b) Balance sheet, income statement, statement of cash flows, and notes to the financial statements**
  
5. **What is the purpose of the statement of cash flows?**
  - a) To report a company's revenues and expenses for a specific period
  - b) To report a company's assets, liabilities, and equity at a specific point in time
  - c) To report a company's cash inflows and outflows during a specific period
  - d) To report the changes in a company's equity over a period of time**Answer: c) To report a company's cash inflows and outflows during a specific period**
  
6. **Which financial statement provides additional details and explanations about the company's financial statements?**
  - a) Balance sheet
  - b) Income statement
  - c) Statement of cash flows
  - d) Notes to the financial statements**Answer: d) Notes to the financial statements**
  
7. **Financial ratios can be used to analyze a company's financial performance. Which of the following is not a commonly used financial ratio?**

- a) Current ratio
- b) Quick ratio
- c) Debt-to-equity ratio
- d) Customer satisfaction ratio

**Answer: d) Customer satisfaction ratio**

8. **Which financial ratio evaluates a company's ability to meet its short-term obligations?**

- a) Current ratio
- b) Quick ratio
- c) Debt-to-equity ratio
- d) Return on equity

**Answer: a) Current ratio**

9. **Which financial ratio evaluates a company's liquidity, excluding inventory?**

- a) Current ratio
- b) Quick ratio
- c) Debt-to-equity ratio
- d) Return on equity

**Answer: b) Quick ratio**

10. **Which financial ratio evaluates a company's profitability relative to its shareholders' equity?**

- a) Current ratio
- b) Quick ratio
- c) Debt-to-equity ratio
- d) Return on equity

**Answer: d) Return on equity**

## Lec 40 - Financial Statements of Limited Companies (Contd.) Part-2

1. **Which financial statement reflects a company's cash inflows and outflows?**
  - a) Income Statement
  - b) Balance Sheet
  - c) Cash Flow Statement
  - d) Statement of Changes in Equity**Solution: c) Cash Flow Statement**
  
2. **What does the Income Statement reflect?**
  - a) A company's assets, liabilities, and equity
  - b) A company's revenue, expenses, and profit or loss
  - c) A company's cash inflows and outflows
  - d) A company's changes in equity**Solution: b) A company's revenue, expenses, and profit or loss**
  
3. **Which financial statement outlines the company's assets, liabilities, and equity?**
  - a) Income Statement
  - b) Balance Sheet
  - c) Cash Flow Statement
  - d) Statement of Changes in Equity**Solution: b) Balance Sheet**
  
4. **Who uses financial statements to make informed decisions about a company?**
  - a) Government Agencies
  - b) Employees
  - c) Investors
  - d) All of the Above**Solution: c) Investors**
  
5. **What is the role of auditors in verifying the accuracy of financial statements?**
  - a) Enhancing investor confidence
  - b) Maintaining transparency and credibility
  - c) Ensuring compliance with accounting standards and regulations
  - d) All of the Above**Solution: d) All of the Above**
  
6. **What is the formula for calculating a company's profit?**
  - a) Revenue - Assets
  - b) Assets - Liabilities
  - c) Revenue - Expenses
  - d) Expenses - Liabilities**Solution: c) Revenue - Expenses**
  
7. **What does the Statement of Changes in Equity reflect?**
  - a) A company's assets, liabilities, and equity
  - b) A company's revenue, expenses, and profit or loss
  - c) A company's cash inflows and outflows
  - d) A company's changes in equity**Solution: d) A company's changes in equity**

8. **What is the main purpose of financial statements?**

- a) To provide information about a company's financial health, performance, and position
- b) To minimize taxes paid by the company
- c) To enhance employee satisfaction
- d) To increase government revenue

**Solution: a) To provide information about a company's financial health, performance, and position**

9. **Which financial statement provides a snapshot of a company's financial position at a specific point in time?**

- a) Income Statement
- b) Balance Sheet
- c) Cash Flow Statement
- d) Statement of Changes in Equity

**Solution: b) Balance Sheet**

10. **What is the difference between assets and liabilities in a company's balance sheet?**

- a) Assets represent the company's obligations, while liabilities represent what the company owns
- b) Assets represent what the company owns, while liabilities represent the company's obligations
- c) Assets and liabilities are interchangeable terms in accounting
- d) There is no difference between assets and liabilities in a company's balance sheet

**Solution: b) Assets represent what the company owns, while liabilities represent the company's obligations**

## Lec 41 - Cash Flow Statement

1. **What does the cash flow statement show?**

- a) Revenue and expenses
- b) Assets and liabilities
- c) Cash inflows and outflows
- d) Equity changes

**Answer: c) Cash inflows and outflows**

2. **Which of the following is an example of cash inflow from operating activities?**

- a) Payment for the purchase of a new building
- b) Sale of goods to customers on credit
- c) Payment of dividends to shareholders
- d) Payment of interest on a loan

**Answer: b) Sale of goods to customers on credit**

3. **Which section of the cash flow statement shows the cash inflows and outflows from investing activities?**

- a) Operating activities
- b) Financing activities
- c) Investing activities
- d) Changes in cash and cash equivalents

**Answer: c) Investing activities**

4. **Which of the following is an example of cash outflow from financing activities?**

- a) Sale of a long-term investment
- b) Payment of interest on a loan
- c) Payment of dividends to shareholders
- d) Payment for the purchase of a new building

**Answer: c) Payment of dividends to shareholders**

5. **What is the purpose of the cash flow statement?**

- a) To show the company's net income or loss
- b) To show the company's financial position
- c) To show the company's cash inflows and outflows
- d) To show the company's revenue and expenses

**Answer: c) To show the company's cash inflows and outflows**

6. **What is the formula for calculating cash flow from operating activities?**

- a) Cash inflows - cash outflows
- b) Net income + depreciation
- c) Cash received from customers - cash paid to suppliers
- d) Cash received from investments - cash paid for investments

**Answer: c) Cash received from customers - cash paid to suppliers**

7. **Which of the following is an example of a non-cash transaction that is added back to net income to calculate cash flow from operating activities?**
- a) Payment of dividends to shareholders
  - b) Sale of a long-term investment
  - c) Depreciation expense
  - d) Payment for the purchase of a new building

**Answer: c) Depreciation expense**

8. **What does a negative cash flow from operating activities indicate?**
- a) The company is generating a lot of cash from its operating activities
  - b) The company is not generating enough cash from its operating activities
  - c) The company is investing heavily in its operations
  - d) The company is paying off a lot of debt

**Answer: b) The company is not generating enough cash from its operating activities**

9. **Which financial statement is the cash flow statement a part of?**
- a) Balance sheet
  - b) Income statement
  - c) Statement of changes in equity
  - d) None of the above

**Answer: d) None of the above**

10. **What is the difference between cash flow and net income?**
- a) Cash flow includes all cash inflows and outflows, while net income only includes revenue and expenses
  - b) Cash flow is a measure of liquidity, while net income is a measure of profitability
  - c) Cash flow is calculated using the accrual method, while net income is calculated using the cash method
  - d) Cash flow includes non-cash transactions, while net income only includes cash transactions

**Answer: b) Cash flow is a measure of liquidity, while net income is a measure of profitability**

## Lec 42 - Cash Flow Statement (Contd.)

1. Which section of the cash flow statement reports cash inflows and outflows from a company's core operations?
- a) Investing activities
  - b) Financing activities
  - c) Operating activities
  - d) None of the above

**Answer: c) Operating activities**

2. Which method of preparing the cash flow statement reports cash inflows and outflows directly?
- a) Direct method
  - b) Indirect method
  - c) Both methods
  - d) None of the above

**Answer: a) Direct method**

3. The cash flow statement provides information on a company's:
- a) Assets
  - b) Liabilities
  - c) Equity
  - d) Cash inflows and outflows

**Answer: d) Cash inflows and outflows**

4. Positive cash flow from operating activities indicates that a company is:
- a) Generating enough cash from its operations to meet its expenses
  - b) Experiencing financial difficulties
  - c) Generating too much cash from its operations
  - d) None of the above

**Answer: a) Generating enough cash from its operations to meet its expenses**

5. Which section of the cash flow statement shows the cash inflows and outflows from a company's investments in long-term assets?
- a) Operating activities
  - b) Financing activities
  - c) Investing activities
  - d) None of the above

**Answer: c) Investing activities**

6. The indirect method of preparing the cash flow statement adjusts net income for:
- a) Cash transactions
  - b) Non-cash transactions
  - c) Operating expenses
  - d) None of the above

**Answer: b) Non-cash transactions**

7. **Which financial statement provides insight into a company's liquidity and ability to meet its financial obligations?**
- a) Balance sheet
  - b) Income statement
  - c) Cash flow statement
  - d) None of the above

**Answer: c) Cash flow statement**

8. **Negative cash flow from operating activities may indicate that a company is:**
- a) Generating enough cash from its operations
  - b) Experiencing financial difficulties
  - c) Investing in long-term assets
  - d) None of the above

**Answer: b) Experiencing financial difficulties**

9. **The financing activities section of the cash flow statement shows the cash inflows and outflows from:**
- a) Issuance or repayment of debt
  - b) Issuance or repurchase of equity
  - c) Payment of dividends
  - d) All of the above

**Answer: d) All of the above**

10. **Which method of preparing the cash flow statement is more commonly used by companies?**
- a) Direct method
  - b) Indirect method
  - c) Both methods are used equally
  - d) None of the above

**Answer: b) Indirect method**



## Lec 43 - Financial Statements of Listed/Quoted Companies

1. **Which financial statements are required to be submitted by listed/quoted companies?**

- A) Income statement
- B) Balance sheet
- C) Cash flow statement
- D) All of the above

**Answer: D) All of the above**

2. **What regulatory bodies set guidelines for financial statements of listed/quoted companies?**

- A) Securities and Exchange Commission (SEC)
- B) Financial Reporting Council (FRC)
- C) Both A and B
- D) None of the above

**Answer: C) Both A and B**

3. **Which financial statement shows a company's revenues and expenses?**

- A) Income statement
- B) Balance sheet
- C) Cash flow statement
- D) None of the above

**Answer: A) Income statement**

4. **Which financial statement shows a company's assets and liabilities?**

- A) Income statement
- B) Balance sheet
- C) Cash flow statement
- D) None of the above

**Answer: B) Balance sheet**

5. **Which financial statement shows a company's cash inflows and outflows?**

- A) Income statement
- B) Balance sheet
- C) Cash flow statement
- D) None of the above

**Answer: C) Cash flow statement**

6. **Which regulatory body sets guidelines for financial statements of US-listed companies?**

- A) Securities and Exchange Commission (SEC)
- B) Financial Reporting Council (FRC)
- C) Both A and B
- D) None of the above

**Answer: A) Securities and Exchange Commission (SEC)**

7. **Which regulatory body sets guidelines for financial statements of UK-listed companies?**

- A) Securities and Exchange Commission (SEC)
- B) Financial Reporting Council (FRC)
- C) Both A and B
- D) None of the above

**Answer: B) Financial Reporting Council (FRC)**

8. **What is the purpose of financial statements of listed/quoted companies?**

- A) To provide information to investors and analysts
- B) To satisfy regulatory requirements
- C) Both A and B
- D) None of the above

**Answer: C) Both A and B**

9. **Which financial statement shows changes in a company's equity?**

- A) Income statement
- B) Balance sheet
- C) Cash flow statement
- D) None of the above

**Answer: B) Balance sheet**

10. **What information can investors and analysts gain from financial statements of listed/quoted companies?**

- A) Company's financial health and performance
- B) Company's profitability and liquidity
- C) Company's solvency and risk management
- D) All of the above

**Answer: D) All of the above**

## Lec 44 - Financial Statements of Listed Companies (Contd.)

1. **Which regulatory body enforces reporting requirements for listed companies?**

- A) Financial Reporting Council (FRC)
- B) International Accounting Standards Board (IASB)
- C) Securities and Exchange Commission (SEC)
- D) International Financial Reporting Standards Foundation (IFRS)

**Answer: C) Securities and Exchange Commission (SEC)**

2. **What is the purpose of interim financial reports for listed companies?**

- A) To provide information on the company's financial position
- B) To update shareholders on the company's performance
- C) To comply with regulatory requirements
- D) All of the above

**Answer: D) All of the above**

3. **What is the purpose of management's discussion and analysis for listed companies?**

- A) To provide information on the company's financial performance
- B) To disclose significant events or changes affecting the company
- C) To provide an analysis of the company's financial position and performance
- D) All of the above

**Answer: D) All of the above**

4. **How often are listed companies required to publish annual reports?**

- A) Every 6 months
- B) Every 9 months
- C) Every year
- D) Every 2 years

**Answer: C) Every year**

5. **Which financial statement shows a company's cash inflows and outflows?**

- A) Income statement
- B) Balance sheet
- C) Cash flow statement
- D) Statement of changes in equity

**Answer: C) Cash flow statement**

6. **What is the purpose of financial ratios and metrics?**

- A) To compare the performance of different companies in the same industry
- B) To analyze a company's financial health and performance
- C) To evaluate a company's risk management strategies
- D) All of the above

**Answer: D) All of the above**

7. **What can impact the comparability of financial statements over time?**

- A) Changes in accounting standards
- B) Changes in regulatory requirements
- C) Changes in company management
- D) All of the above

**Answer: A) Changes in accounting standards**

8. **Who may conduct audits and investigations to ensure compliance with reporting requirements?**

- A) Investors
- B) Shareholders
- C) Regulatory bodies
- D) All of the above

**Answer: C) Regulatory bodies**

9. **What is the main purpose of financial statements for listed companies?**

- A) To provide information on a company's financial performance and position
- B) To comply with regulatory requirements
- C) To attract investors
- D) All of the above

**Answer: A) To provide information on a company's financial performance and position**

10. **What impact can additional scrutiny from shareholders and analysts have on a listed company?**

- A) Improve its reputation and financial performance
- B) Decrease its reputation and financial performance
- C) Have no impact on its reputation and financial performance
- D) None of the above

**Answer: B) Decrease its reputation and financial performance**

## Lec 45 - Financial Statements of Listed Companies (Contd.) & Financial Ratios

1. **What is the purpose of financial ratios?**
- A. To evaluate the company's financial performance
  - B. To determine the regulatory requirements
  - C. To assess the company's management practices
  - D. To determine the market value of the company

**Answer: A**

2. **What is the debt-to-equity ratio?**
- A. A measure of a company's profitability
  - B. A measure of a company's liquidity
  - C. A measure of a company's financial leverage
  - D. A measure of a company's growth prospects

**Answer: C**

3. **What is the return on equity ratio?**
- A. A measure of a company's profitability
  - B. A measure of a company's liquidity
  - C. A measure of a company's financial leverage
  - D. A measure of a company's growth prospects

**Answer: A**

4. **What is the current ratio?**
- A. A measure of a company's profitability
  - B. A measure of a company's liquidity
  - C. A measure of a company's financial leverage
  - D. A measure of a company's growth prospects

**Answer: B**

5. **What is the earnings per share ratio?**
- A. A measure of a company's profitability
  - B. A measure of a company's liquidity
  - C. A measure of a company's financial leverage
  - D. A measure of a company's growth prospects

**Answer: A**

6. **What is the price-to-earnings ratio?**
- A. A measure of a company's profitability
  - B. A measure of a company's liquidity
  - C. A measure of a company's financial leverage
  - D. A measure of a company's valuation

**Answer: D**

7. **Which financial statement provides information on a company's cash inflows and outflows?**
- A. Income statement
  - B. Balance sheet
  - C. Statement of changes in equity
  - D. Cash flow statement

**Answer: D**

8. **What is segment reporting?**
- A. Reporting of financial performance by business segment
  - B. Reporting of financial performance by region
  - C. Reporting of financial performance by product line
  - D. Reporting of financial performance by customer

**Answer: A**

9. **What is the purpose of the management's discussion and analysis section in the annual report?**
- A. To provide investors with management's perspective on the company's financial performance and prospects
  - B. To provide information on the company's board of directors
  - C. To provide information on the company's related party transactions
  - D. To provide information on the company's liquidity position

**Answer: A**

10. **What is the purpose of corporate governance disclosures in the financial statements of listed companies?**
- A. To provide information on the company's policies and practices relating to risk management and internal control
  - B. To provide information on the company's profitability
  - C. To provide information on the company's liquidity position
  - D. To provide information on the company's market value

**Answer: A**

