9 Lecture - MGT101

Important Mcqs

- 1. Which financial statement shows a company's revenues and expenses over a period of time?
 - a) Balance sheet
 - b) Cash flow statement
 - c) Income statement
 - d) Statement of retained earnings

Solution: c) Income statement

2. The accounting equation is:

- a) Assets = Liabilities + Equity
- b) Assets + Liabilities = Equity
- c) Liabilities + Equity = Assets
- d) None of the above

Solution: a) Assets = Liabilities + Equity

3. What is the purpose of the statement of retained earnings?

- a) To show a company's liquidity and cash flow management
- b) To show a company's profitability
- c) To show how a company's retained earnings changed over a period
- d) None of the above

Solution: c) To show how a company's retained earnings changed over a period

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

- a) Balance sheet
- b) Cash flow statement
- c) Income statement
- d) Statement of retained earnings
- Solution: a) Balance sheet

5. What is the formula for calculating net income?

- a) Revenue + Expenses
- b) Revenue Expenses
- c) Assets = Liabilities + Equity
- d) None of the above

Solution: b) Revenue - Expenses

6. The statement of cash flows is divided into how many sections?

- a) 2
- b) 3
- c) 4
- d) 5
- Solution: b) 3

7. Which financial statement shows how much cash a company generated or used during a period?

- a) Balance sheet
- b) Cash flow statement
- c) Income statement
- d) Statement of retained earnings

Solution: b) Cash flow statement

8. What are current assets?

- a) Assets that are not expected to be converted to cash within one year
- b) Assets that are expected to be converted to cash within one year
- c) Liabilities that are due within one year
- d) Liabilities that are due in more than one year

Solution: b) Assets that are expected to be converted to cash within one year

9. What is the difference between current liabilities and long-term liabilities?

a) Current liabilities are liabilities that are due in more than one year, while long-term liabilities are liabilities that are due within one year.

b) Current liabilities are liabilities that are due within one year, while long-term liabilities are liabilities that are due in more than one year.

c) Current liabilities and long-term liabilities are the same thing.

d) None of the above.

Solution: b) Current liabilities are liabilities that are due within one year, while long-term liabilities are liabilities that are due in more than one year.

10. Why is it important for financial statements to be accurate and reliable?

- a) They provide information for decision-making by investors, creditors, and management.
- b) They are used for regulatory compliance and tax reporting purposes.
- c) Inaccurate financial statements can lead to incorrect decisions and financial losses.
- d) All of the above.

Solution: d) All of the above.