

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.