41 Lecture - MGT101

Important Mcqs

- 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