# 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