

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