

12 Lecture - MGT401

Important Mcqs

1. Which of the following is not a commonly used inventory valuation method?

- a) FIFO
- b) LIFO
- c) Specific identification
- d) Random selection

Answer: d) Random selection

2. Under which inventory valuation method is the cost of the most recently purchased items used to value inventory?

- a) FIFO
- b) LIFO
- c) Weighted average cost
- d) Specific identification

Answer: b) LIFO

3. Which of the following is true of the FIFO inventory valuation method?

- a) It results in the highest cost of goods sold during times of rising prices.
- b) It results in the lowest net income during times of rising prices.
- c) It results in the highest gross profit during times of rising prices.
- d) It is not affected by changes in inventory levels.

Answer: c) It results in the highest gross profit during times of rising prices.

4. Which inventory valuation method assumes that the first items purchased are the first ones sold?

- a) FIFO
- b) LIFO
- c) Specific identification
- d) Weighted average cost

Answer: a) FIFO

5. Which inventory valuation method results in a higher ending inventory value during times of rising prices?

- a) FIFO
- b) LIFO
- c) Weighted average cost
- d) Specific identification

Answer: a) FIFO

6. Under the weighted average cost inventory valuation method, how is the weighted average cost calculated?

- a) By dividing the total cost of inventory by the total number of units.
- b) By adding the cost of the most recently purchased units to the existing inventory cost.
- c) By multiplying the cost per unit by the number of units sold.
- d) By subtracting the cost of goods sold from the total cost of inventory.

Answer: a) By dividing the total cost of inventory by the total number of units.

7. Which inventory valuation method allows for the use of specific costs for specific units of inventory?

- a) FIFO
- b) LIFO
- c) Weighted average cost
- d) Specific identification

Answer: d) Specific identification

8. Which inventory valuation method is most commonly used for tax purposes in the United States?

- a) FIFO
- b) LIFO
- c) Weighted average cost
- d) Specific identification

Answer: b) LIFO

9. Which inventory valuation method is most commonly used for financial reporting purposes?

- a) FIFO
- b) LIFO
- c) Weighted average cost
- d) Specific identification

Answer: a) FIFO

10. How does the choice of inventory valuation method impact a company's financial statements?

- a) It does not impact the financial statements.
- b) It can impact the cost of goods sold and net income.
- c) It can impact inventory levels reported on the balance sheet.
- d) It can impact the company's cash flow statement.

Answer: b) It can impact the cost of goods sold and net income.