

22 Lecture - MGT401

Important Mcqs

- 1. Which of the following represents long-term financing provided by the owners of the company?**
 - A) Share capital and reserves
 - B) Accounts payable
 - C) Bank loans
 - D) Accrued expenses**Answer: A**
- 2. What is share capital?**
 - A) Profits that are retained by the company for future use
 - B) Funds raised by the company through the sale of its shares to investors
 - C) Money owed by the company to suppliers
 - D) A liability that arises from an expense that has been incurred but not yet paid**Answer: B**
- 3. Which of the following is included in the reserves category on the liabilities side of the balance sheet?**
 - A) Retained earnings
 - B) Share premium
 - C) General reserve
 - D) All of the above**Answer: D**
- 4. What does the liabilities side of the balance sheet show?**
 - A) The company's assets
 - B) The company's liabilities and equity
 - C) The company's revenue and expenses
 - D) The company's cash flows**Answer: B**
- 5. Which of the following is not included in the liabilities side of the balance sheet?**
 - A) Share capital
 - B) Reserves
 - C) Accounts receivable
 - D) Long-term debt**Answer: C**
- 6. What is the purpose of presenting share capital and reserves separately in the balance sheet?**
 - A) To provide information about the company's sources of financing
 - B) To distinguish between short-term and long-term liabilities
 - C) To show the company's cash flows
 - D) To report the company's revenue and expenses**Answer: A**

7. **Which of the following represents the total amount of money that has been invested in a company by its shareholders?**
- A) Share capital
 - B) Reserves
 - C) Retained earnings
 - D) Share premium

Answer: A

8. **What is the difference between share capital and reserves?**
- A) Share capital represents short-term financing, while reserves represent long-term financing.
 - B) Share capital represents equity, while reserves represent liabilities.
 - C) Share capital represents funds raised through the sale of shares, while reserves represent profits that have been retained by the company.
 - D) Share capital represents the money that the company owes to its shareholders, while reserves represent the money that the company owes to its creditors.

Answer: C

9. **Which of the following is an example of a reserve on the liabilities side of the balance sheet?**
- A) Accounts payable
 - B) Bank loan
 - C) Retained earnings
 - D) Common stock

Answer: C

10. **Why is it important for investors to review the liabilities side of the balance sheet?**
- A) To evaluate the company's profitability
 - B) To assess the company's liquidity and solvency
 - C) To calculate the company's earnings per share
 - D) To determine the company's tax liability

Answer: B