31 Lecture - MGT401

Important Mcqs

1. **What is a provision under IAS 37?**
   A) Possible obligations that depend on the occurrence of a future event
   B) Present obligation arising from a past event
   C) Possible assets that depend on the occurrence of a future event
   D) All of the above

Answer: B

2. **Which of the following is an example of a provision?**
   A) Probable future profits
   B) Future research and development costs
   C) Restructuring costs
   D) All of the above

Answer: C

3. **What is a contingent liability?**
   A) A present obligation arising from a past event
   B) A possible obligation that depends on the occurrence of a future event
   C) A possible asset that depends on the occurrence of a future event
   D) None of the above

Answer: B

4. **When is a contingent asset recognized in the financial statements?**
   A) When the inflow of economic benefits is virtually certain
   B) When the outflow of economic resources is probable
   C) When the occurrence of a future event is virtually certain
   D) None of the above

Answer: A

5. **Which of the following is an example of a contingent liability?**
   A) Future research and development costs
   B) A pending lawsuit
   C) Probable future profits
   D) None of the above

Answer: B

6. **What is the criteria for recognizing a provision?**
   A) Possible obligation that depends on the occurrence of a future event
   B) Present obligation arising from a past event

C) Virtually certain inflow of economic benefits
D) All of the above

Answer: B

7. **When is a contingent liability disclosed in the financial statements?**
A) When the occurrence of a future event is probable, and the amount of the obligation can be estimated reliably
B) When the outflow of economic resources is probable
C) When the inflow of economic benefits is virtually certain
D) None of the above

Answer: A

8. **What is the measurement basis for provisions?**
A) Cost
B) Fair value
C) Best estimate of the expenditure required to settle the obligation
D) All of the above

Answer: C

9. **Which of the following is an example of a contingent asset?**
A) A pending lawsuit
B) A potential customer
C) Future research and development costs
D) None of the above

Answer: B

10. **What is the criteria for recognizing a contingent liability?**
A) Probable future profits
B) A present obligation arising from a past event
C) Possible obligation that depends on the occurrence of a future event
D) Probability of the future event and reliability of the estimate

Answer: D