32 Lecture - MGT401

Important Mcqs

1. What are provisions in accounting?
A. Expected future losses
B. Expected future gains
C. Current assets
D. Current liabilities
Answer: A

2. What is the difference between provisions and contingent liabilities?
A. Provisions are certain, while contingent liabilities are uncertain
B. Provisions are uncertain, while contingent liabilities are certain
C. Provisions are recognized in the income statement, while contingent liabilities are recognized in the balance sheet
D. There is no difference between the two terms
Answer: A

3. What is a contingent asset?
A. A potential gain that depends on certain conditions
B. A potential loss that depends on certain conditions
C. An asset that is already owned by the company
D. An asset that is not yet owned by the company
Answer: A

4. Which financial statement shows a company's revenues, expenses, gains, and losses over a specific period?
A. Balance sheet
B. Income statement
C. Statement of cash flows
D. Statement of changes in equity
Answer: B

5. Which of the following is an example of a contingent liability?
A. Lawsuit pending against the company
B. Patent owned by the company
C. Office furniture owned by the company
D. Revenue received in advance by the company
Answer: A

6. How are provisions and contingent liabilities recorded on the balance sheet?
A. As assets
B. As liabilities
C. As equity
D. They are not recorded on the balance sheet
Answer: B

7. Which of the following is an example of a provision?
A. Warranty expense
B. Depreciation expense
C. Interest expense
D. Rent expense
Answer: A

8. What is the purpose of recognizing contingent assets and liabilities?
A. To increase a company's reported assets and liabilities
B. To provide additional information about a company's financial health
C. To manipulate a company's reported financial results
D. There is no purpose for recognizing these items
Answer: B

9. Which financial statement provides information about a company's cash inflows and outflows?
A. Balance sheet
B. Income statement
C. Statement of cash flows
D. Statement of changes in equity
Answer: C

10. How are gains and losses recognized on the income statement?
A. Gains are recorded as revenue, and losses are recorded as expenses
B. Gains are recorded as expenses, and losses are recorded as revenue
C. Gains and losses are not recognized on the income statement
D. Gains and losses are recorded as equity
Answer: A