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