35 Lecture - MGT401

Important Mcqs

1. **Which of the following is not a category of expenses typically included in the income statement?**
   a) Cost of goods sold
   b) Research and development expenses
   c) Financing expenses
   d) Selling and administrative expenses
   Answer: c) Financing expenses

2. **Which of the following is an example of an unusual or non-recurring expense that should be disclosed in the income statement?**
   a) Cost of goods sold
   b) Depreciation expense
   c) Litigation settlement expense
   d) Salaries and wages expense
   Answer: c) Litigation settlement expense

3. **Which of the following is not a common method of presenting expenses in the income statement?**
   a) By nature
   b) By function
   c) By size
   d) By relevance
   Answer: c) By size

4. **When expenses are presented by function in the income statement, which of the following is a typical category?**
   a) Interest expense
   b) Depreciation expense
   c) Cost of goods sold
   d) Research and development expense
   Answer: d) Research and development expense

5. **Which of the following is an example of a change in accounting policy related to the treatment of expenses?**
   a) A change in the useful life used to calculate depreciation expense
   b) A change in the method used to calculate inventory costs
   c) A change in the method used to calculate bad debt expense
   d) A change in the discount rate used to calculate pension expense
   Answer: c) A change in the method used to calculate bad debt expense

6. **Which of the following is a reason for disclosing related party transactions in the income statement?**
   a) To comply with tax laws
   b) To provide transparency about the company's transactions with its affiliates

c) To provide information about employee benefits
d) To identify non-recurring expenses
Answer: b) To provide transparency about the company's transactions with its affiliates

7. **When a company reports a gain or loss from the sale of a long-term asset in the income statement, where is it typically presented?**
a) As part of cost of goods sold
b) As a separate line item before operating income
c) As part of other income or expense
d) As a reduction of income tax expense
Answer: c) As part of other income or expense

8. **Which of the following is an example of a contra account that is typically presented as a deduction from revenue in the income statement?**
a) Sales returns and allowances
b) Depreciation expense
c) Interest income
d) Research and development expense
Answer: a) Sales returns and allowances

9. **Which of the following is a common way to measure and present the impact of foreign** currency fluctuations on the income statement?
a) By presenting the effect on a separate line item
b) By converting all foreign currency transactions to the local currency using the average exchange rate for the period
c) By disclosing the impact in the footnotes to the financial statements
d) By excluding the impact from the income statement altogether
Answer: a) By presenting the effect on a separate line item

10. **Which of the following is an example of an expense that is not typically presented in the income statement, but rather is disclosed in the footnotes to the financial statements?**
a) Salaries and wages expense
b) Property taxes expense
c) Pension expense
d) Environmental remediation expense
Answer: d) Environmental remediation expense