

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