

# 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**