36 Lecture - MGT401

Important Mcqs

- 1. Which of the following statements is true about accounting policies?
 - A) They are not disclosed in financial statements
 - B) They are optional for entities to adopt
 - C) They are specific principles, bases, conventions, rules, and practices applied by an entity in preparing and presenting financial statements
 - D) They are only applicable to small entities

Answer: C

- 2. Which of the following is an example of a change in accounting estimate?
 - A) A change in accounting policy
 - B) A change in the reporting period
 - C) A change in the useful life of an asset
 - D) A change in the legal structure of the entity

Answer: C

- 3. Which of the following statements is true about errors in financial statements?
 - A) They are always intentional
 - B) They can be corrected by simply adjusting the next period's financial statements
 - C) They are unintentional misstatements or omissions of amounts or disclosures
 - D) They do not affect the financial statements of an entity

Answer: C

- 4. Which of the following financial statements is required to disclose the accounting policies adopted by an entity?
 - A) Statement of Changes in Equity
 - B) Income Statement
 - C) Balance Sheet
 - D) Notes to the Financial Statements

Answer: D

- 5. Which of the following is an example of a change in accounting policy?
 - A) A change in the useful life of an asset
 - B) A change in the reporting period
 - C) A change in the legal structure of the entity
 - D) A change from FIFO to LIFO inventory valuation method

Answer: D

6. Which of the following is true about the statement of changes in equity?

- A) It provides information about changes in the entity's cash flow over a specific period.
- B) It is not required to be presented as a separate financial statement
- C) It shows the beginning and ending balances of each equity account
- D) It only includes changes in retained earnings

Answer: C

7. Which of the following is an example of a contingent asset?

- A) A lawsuit filed against the entity
- B) A tax refund claim that is under dispute
- C) A loss from a natural disaster
- D) A loan that is past due

Answer: B

8. Which of the following is an example of a provision?

- A) A tax refund that is expected to be received in the next year
- B) A potential obligation that arises from past events
- C) A loan that is past due
- D) A fixed asset that is fully depreciated

Answer: B

9. Which of the following is an example of an error in financial statements?

- A) Failure to record a cash transaction
- B) An intentional overstatement of revenue
- C) A change in accounting policy
- D) An increase in the useful life of an asset

Answer: A

10. Which of the following is an example of a change in accounting estimate?

- A) A change in the entity's legal structure
- B) A change in the reporting period
- C) A change in the useful life of an asset
- D) A change in the entity's management team

Answer: C