

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