

37 Lecture - MGT401

Important Mcqs

1. **Which of the following is not a change in accounting policy according to IAS 8?**
- a) Changing from FIFO to LIFO
 - b) Changing from cost model to revaluation model
 - c) Changing from straight-line method to accelerated method
 - d) Changing from accrual basis to cash basis

Answer: d) Changing from accrual basis to cash basis

2. **According to IAS 8, an accounting policy change should be:**
- a) Applied retrospectively
 - b) Applied prospectively
 - c) Applied prospectively with disclosure of the effect on current and future periods
 - d) Disclosed in the notes to the financial statements only

Answer: c) Applied prospectively with disclosure of the effect on current and future periods

3. **Which of the following is an example of an error in financial reporting?**
- a) Misapplication of accounting policy
 - b) Misuse of an asset
 - c) Misclassification of an expense
 - d) All of the above

Answer: d) All of the above

4. **Which of the following is not an example of a cash flow from investing activities?**
- a) Sale of property, plant, and equipment
 - b) Purchase of a building
 - c) Purchase of shares in another company
 - d) Sale of an investment

Answer: c) Purchase of shares in another company

5. **When preparing the statement of cash flows using the indirect method, which of the following adjustments should be made to net income?**
- a) Add back depreciation expense
 - b) Deduct interest expense
 - c) Deduct gain on sale of an asset
 - d) Add back a decrease in accounts receivable

Answer: a) Add back depreciation expense

6. **Which of the following is true regarding the statement of changes in equity?**
- a) It is required under IFRS but not under US GAAP

- b) It reports only changes in retained earnings
- c) It reports all changes in equity, including transactions with owners and changes in accounting policies
- d) It is not required for private companies

Answer: c) It reports all changes in equity, including transactions with owners and changes in accounting policies

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

- a) Changing from LIFO to FIFO
- b) Changing the useful life of an asset
- c) Changing from the cost model to the revaluation model
- d) Changing the method of recognizing revenue

Answer: b) Changing the useful life of an asset

8. According to IAS 7, which of the following items is not considered a cash equivalent?

- a) Short-term investments with high liquidity
- b) Bank overdrafts
- c) Commercial paper
- d) Treasury bills

Answer: b) Bank overdrafts

9. Which of the following is true regarding errors in financial reporting?

- a) They are always intentional
- b) They can be corrected in the current period only
- c) They can have a material effect on the financial statements
- d) They are always immaterial

Answer: c) They can have a material effect on the financial statements

10. Which of the following is an example of a noncash item that would be reported on the statement of cash flows?

- a) Amortization expense
- b) Interest expense
- c) Depreciation expense
- d) Accounts receivable write-off

Answer: d) Accounts receivable write-off