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