

# 39 Lecture - MGT401

## Important Mcqs

1. Which of the following is not a cash flow from operating activities under the indirect method of preparing cash flow statement?
  - a) Depreciation expense
  - b) Interest expense
  - c) Increase in accounts payable
  - d) Dividends paidAnswer: d) Dividends paid
  
2. Which section of the cash flow statement shows the change in cash balance due to investing activities?
  - a) Operating activities
  - b) Financing activities
  - c) Investing activities
  - d) None of the aboveAnswer: c) Investing activities
  
3. Which method of preparing the cash flow statement is preferred by IFRS?
  - a) Direct method
  - b) Indirect method
  - c) Either method can be used
  - d) None of the aboveAnswer: c) Either method can be used
  
4. A decrease in accounts receivable would result in which of the following adjustments in the operating activities section of the cash flow statement?
  - a) Add back
  - b) Deduct
  - c) No adjustment required
  - d) None of the aboveAnswer: a) Add back
  
5. Which of the following is not a cash outflow from financing activities?
  - a) Dividends paid
  - b) Issuance of bonds payable
  - c) Repurchase of common stock
  - d) Proceeds from the sale of equipmentAnswer: d) Proceeds from the sale of equipment
  
6. Which of the following is not considered an investing activity?
  - a) Purchase of long-term investments
  - b) Issuance of bonds payable
  - c) Purchase of equipment
  - d) Proceeds from the sale of landAnswer: b) Issuance of bonds payable

7. A decrease in accounts payable would result in which of the following adjustments in the operating activities section of the cash flow statement?
- a) Add back
  - b) Deduct
  - c) No adjustment required
  - d) None of the above
- Answer: b) Deduct
8. In the direct method of preparing the cash flow statement, which of the following items is included in the operating activities section?
- a) Depreciation expense
  - b) Interest expense
  - c) Gain on sale of equipment
  - d) None of the above
- Answer: d) None of the above
9. Which of the following is a cash inflow from financing activities?
- a) Payment of dividends
  - b) Repurchase of common stock
  - c) Proceeds from the issuance of long-term debt
  - d) All of the above
- Answer: c) Proceeds from the issuance of long-term debt
10. Which section of the cash flow statement shows the change in cash balance due to financing activities?
- a) Operating activities
  - b) Financing activities
  - c) Investing activities
  - d) None of the above
- Answer: b) Financing activities