

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