

40 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 paid

Answer: 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 above

Answer: 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 above

Answer: 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 above

Answer: 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 equipment

Answer: 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 land

Answer: 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