# 41 Lecture - MGT401

# **Important Mcqs**

#### 1. What are events after the balance sheet date?

- A. Events that occur after the reporting period but before the financial statements are authorized for issue.
- B. Events that occur after the financial statements are authorized for issue.
- C. Events that occur before the reporting period but after the financial statements are authorized for issue.
- D. Events that occur after the reporting period and after the financial statements are authorized for issue.

### Answer: A.

# 2. Which of the following is an example of a type 1 subsequent event?

- A. Settlement of a lawsuit after the reporting period but before the financial statements are authorized for issue.
- B. Sale of a subsidiary after the financial statements are authorized for issue.
- C. Acquisition of a business before the reporting period but after the financial statements are authorized for issue.
- D. Payment of a dividend after the reporting period but before the financial statements are authorized for issue.

#### Answer: A.

# 3. How should type 1 subsequent events be treated in the financial statements?

- A. Adjusted in the financial statements.
- B. Disclosed in the notes to the financial statements.
- C. Not recognized or disclosed in the financial statements.
- D. Disclosed in the income statement.

#### Answer: A.

#### 4. What is the treatment for type 2 subsequent events?

- A. Adjusted in the financial statements.
- B. Disclosed in the notes to the financial statements.
- C. Not recognized or disclosed in the financial statements.
- D. Disclosed in the income statement.

#### Answer: B.

#### 5. Which of the following events would be considered a type 2 subsequent event?

- A. Settlement of a lawsuit after the reporting period but before the financial statements are authorized for issue.
- B. Sale of a subsidiary after the financial statements are authorized for issue.

- C. Acquisition of a business before the reporting period but after the financial statements are authorized for issue.
- D. Payment of a dividend after the reporting period but before the financial statements are authorized for issue.

#### Answer: B.

- 6. How should events after the balance sheet date that do not require adjustment in the financial statements be disclosed?
  - A. Disclosed in the income statement.
  - B. Disclosed in the balance sheet.
  - C. Disclosed in the notes to the financial statements.
  - D. Disclosed in the cash flow statement.

## Answer: C.

- 7. Which of the following events would require adjustment in the financial statements?
  - A. Settlement of a lawsuit after the reporting period but before the financial statements are authorized for issue.
  - B. Sale of a subsidiary after the financial statements are authorized for issue.
  - C. Acquisition of a business before the reporting period but after the financial statements are authorized for issue.
  - D. Payment of a dividend after the reporting period but before the financial statements are authorized for issue.

#### Answer: A.

- 8. How should an event after the balance sheet date that results in the recognition of a liability be disclosed?
  - A. Disclosed in the income statement.
  - B. Disclosed in the balance sheet.
  - C. Disclosed in the notes to the financial statements.
  - D. Disclosed in the cash flow statement.

### Answer: B.

- 9. How should an event after the balance sheet date that results in the recognition of an asset be disclosed?
  - A. Disclosed in the income statement.
  - B. Disclosed in the balance sheet.
  - C. Disclosed in the notes to the financial statements.
  - D. Disclosed in the cash flow statement.

#### Answer: C.

- 10. Which of the following events would not be considered an event after the balance sheet date?
  - A. Sale of inventory after the reporting period but before the financial statements are authorized for issue.
  - B. Settlement of a lawsuit after