# 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