

42 Lecture - MGT401

Important Mcqs

1. **What is the formula for basic earnings per share (EPS)?**

- A. $(\text{Net income} - \text{preferred dividends}) / \text{Weighted average common shares outstanding}$
- B. $\text{Net income} / \text{Weighted average common shares outstanding}$
- C. $(\text{Net income} - \text{preferred dividends}) / \text{Common shares outstanding at the beginning of the period}$
- D. None of the above

Answer: B. Net income / Weighted average common shares outstanding

2. **Which of the following items is not included in the calculation of diluted EPS?**

- A. Convertible preferred shares
- B. Convertible bonds
- C. Stock options
- D. Ordinary shares

Answer: D. Ordinary shares

3. **Which of the following statements is true about the computation of basic EPS?**

- A. The denominator should be based on the number of shares outstanding at the end of the period.
- B. The numerator should be adjusted for any changes in the number of shares outstanding during the period.
- C. The denominator should be based on the average number of shares outstanding during the period.
- D. None of the above

Answer: C. The denominator should be based on the average number of shares outstanding during the period.

4. **Which of the following is an example of a potential common share?**

- A. Convertible preferred shares
- B. Stock options
- C. Convertible bonds
- D. All of the above

Answer: D. All of the above

5. **Which of the following is an example of a dilutive security?**

- A. Convertible preferred shares
- B. Non-convertible preferred shares
- C. Ordinary shares
- D. All of the above

Answer: A. Convertible preferred shares

6. Which of the following is not a factor that can affect the calculation of EPS?

- A. Stock splits
- B. Bonus issues
- C. Dividend payments
- D. All of the above can affect the calculation of EPS

Answer: D. All of the above can affect the calculation of EPS

7. Which of the following is not a requirement of IAS 33 regarding the presentation of EPS information in financial statements?

- A. Companies must present both basic and diluted EPS figures.
- B. Companies must disclose the number of potential ordinary shares outstanding.
- C. Companies must disclose the dilutive effect of potential ordinary shares.
- D. All of the above are requirements of IAS 33.

Answer: D. All of the above are requirements of IAS 33.

8. Which of the following is an example of a potentially dilutive security?

- A. Convertible bonds
- B. Non-convertible bonds
- C. Common shares
- D. None of the above

Answer: A. Convertible bonds

9. If a company has a net loss for the period, which of the following statements is true regarding the calculation of EPS?

- A. Basic EPS is not calculated for a net loss period.
- B. Diluted EPS is not calculated for a net loss period.
- C. Basic and diluted EPS are both calculated for a net loss period.
- D. None of the above.

Answer: A. Basic EPS is not calculated for a net loss period.

10. Which of the following items is not a potential ordinary share?

- A. Common shares
- B. Convertible preferred shares
- C. Stock options
- D. All of the above are potential ordinary shares

Answer: B. Convertible preferred shares