42 Lecture - MGT401

Important Mcqs

- 1. What is the formula for basic earnings per share (EPS)?
 - A. (Net income preferred dividends) / Weighted average common shares outstanding
 - B. Net income / Weighted average common shares outstanding
 - C. (Net income preferred dividends) / 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