

43 Lecture - MGT401

Important Mcqs

1. **What does IAS-33 stand for?**

- a) International Accounting Standard 33
- b) International Audit Standard 33
- c) International Financial Reporting Standard 33
- d) International Stock Exchange Standard 33

Solution: a) International Accounting Standard 33

2. **What is the purpose of IAS-33?**

- a) To set out the guidelines for the calculation and disclosure of a company's earnings per share
- b) To set out the guidelines for the calculation and disclosure of a company's net income
- c) To set out the guidelines for the calculation and disclosure of a company's gross profit
- d) To set out the guidelines for the calculation and disclosure of a company's return on equity

Solution: a) To set out the guidelines for the calculation and disclosure of a company's earnings per share

3. **Which of the following is NOT required to calculate basic EPS?**

- a) Net income
- b) Weighted average number of outstanding common shares
- c) Convertible securities
- d) None of the above

Solution: c) Convertible securities

4. **What is the difference between basic EPS and diluted EPS?**

- a) Basic EPS takes into account the potential dilutive effect of convertible securities, while diluted EPS does not.
- b) Diluted EPS takes into account the potential dilutive effect of convertible securities, while basic EPS does not.
- c) Basic EPS and diluted EPS are the same thing.
- d) Basic EPS and diluted EPS are two different financial statements.

Solution: b) Diluted EPS takes into account the potential dilutive effect of convertible securities, while basic EPS does not.

5. **What is a potential ordinary share?**

- a) A share that has not been issued yet
- b) A security or instrument that has the potential to be converted into ordinary shares
- c) A share that has been repurchased by the company
- d) A share that has been retired by the company

Solution: b) A security or instrument that has the potential to be converted into ordinary shares

6. Which of the following is NOT a potential ordinary share?

- a) Convertible bond
- b) Stock option
- c) Warrant
- d) Preferred stock

Solution: d) Preferred stock

7. What is a simple capital structure?

- a) A capital structure that has only common shares outstanding
- b) A capital structure that has only preferred shares outstanding
- c) A capital structure that has both common and preferred shares outstanding
- d) A capital structure that has convertible securities outstanding

Solution: a) A capital structure that has only common shares outstanding

8. What is a complex capital structure?

- a) A capital structure that has only common shares outstanding
- b) A capital structure that has only preferred shares outstanding
- c) A capital structure that has both common and preferred shares outstanding
- d) A capital structure that has potential ordinary shares outstanding

Solution: d) A capital structure that has potential ordinary shares outstanding

9. What must companies disclose in their financial statements related to EPS?

- a) Basic and diluted EPS figures
- b) The number of potential ordinary shares outstanding
- c) The dilutive effect of potential ordinary shares
- d) All of the above

Solution: d) All of the above

10. Which of the following limitations of EPS is true?

- a) EPS takes into account other important financial metrics such as operating expenses and capital expenditures
- b) Companies cannot manipulate EPS figures through share buybacks or other financial engineering tactics
- c) EPS only measures the profitability of a company on a per-share basis
- d) EPS is a perfect indicator of a company's financial health

Solution: c) EPS only measures the profitability of a company on a