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