

## Concepts of Cash Flow Statement - MCQs with answers

### 1. As per Accounting Standard-3, Cash Flow is classified into

- a) Operating activities and investing activities
- b) Investing activities and financing activities
- c) Operating activities and financing activities
- d) Operating activities, financing activities and investing activities

[View Answer / Hide Answer](#)

**ANSWER: d) Operating activities, financing activities and investing activities**

### 2. Cash Flow Statement is also known as

- a) Statement of Changes in Financial Position on Cash basis
- b) Statement accounting for variation in cash
- c) Both a and b
- d) None of the above.

[View Answer / Hide Answer](#)

**ANSWER: c) Both a and b**

### 3. The objectives of Cash Flow Statement are

- A) Analysis of cash position
  - B) Short-term cash planning
  - C) Evaluation of liquidity
  - D) Comparison of operating Performance
- 
- a) Both A and B
  - b) Both A and C
  - c) Both B and D
  - d) A, B, C, D

[View Answer / Hide Answer](#)

**ANSWER: d) A, B, C, D**

### 4. In cash flow statement, the item of interest is shown in

- A) Operating Activities

- B) Financing Activities
- C) Investing Activities

- a) Both A and B
- b) Both A and C
- c) Both B and C
- d) A, B, C

[View Answer / Hide Answer](#)

**ANSWER: c) Both B and C**

### **5. Cash Flow Statement is based upon**

- a) Cash basis of accounting
- b) Accrual basis of accounting
- c) Credit basis of accounting
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: a) Cash basis of accounting**

### **6. Which of the following statements are false?**

- A) Cash Flow Statement is helpful in the formation of policies.
  - B) Cash Flow Statement is useful for external analysis
  - C) Cash Flow Statement is helpful in estimating future cash flow
- 
- a) Both A and B
  - b) Both A and C
  - c) Both B and C
  - d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: d) None of the above**

### **7. Which of the following statements are true?**

- A) Cash flow reveals only the inflow of cash
  - B) Cash flow reveals only the outflow of cash
  - C) Cash flow is a substitute for income statement
  - D) Cash flow statement is not a replacement of funds flow statement.
- 
- a) Only A

- b) Only B
- c) Both B and C
- d) Only D

[View Answer / Hide Answer](#)

**ANSWER: d) Only D**

## Cash Flow From Operating Activities - MCQs with answers

### 1. Cash Flow Statement is prepared from

- a) Profit and loss account
- b) Balance Sheet
- c) Additional Information
- d) All of the above

[View Answer / Hide Answer](#)

**ANSWER: d) All of the above**

### 2. Which of the following are cash flow from operating activities?

- A) Cash Receipts from customers
  - B) Cash Paid to Supplier and Employees
  - C) Purchase of fixed assets
  - D) Sale of fixed assets
- a) Both A and B
  - b) Both A and C
  - c) Both B and C
  - d) Both C and D

[View Answer / Hide Answer](#)

**ANSWER: a) Both A and B**

### 3. Match the column

- A) Taxes Paid ----- i) Cash flow from investing activities
- B) Repayment of loans ----- ii) Cash flow from operating activities
- C) Sale of fixed assets ----- iii) Cash Flow from financing activities

- a) A-ii), B-iii), C-i)

- b) A-i), B-ii), C-iii)
- c) A-iii), B-i), C-ii)

[View Answer / Hide Answer](#)

**ANSWER: a) A-ii), B-iii), C-i)**

**4. Cash payment to suppliers for services and goods is example of cash outflow.**

- a) True
- b) False

[View Answer / Hide Answer](#)

**ANSWER: b) False**

**5. For the calculation of cash flow from operating activities, payments and receipts shown in Profit & Loss account are converted into payments and receipts actually in cash.**

- a) True
- b) False

[View Answer / Hide Answer](#)

**ANSWER: a) True**

**6. For the calculation of cash flow from operating activities, payments and receipts shown in Profit & Loss account are converted into payments and receipts actually in cash by eliminating**

- a) Non-cash revenue from the revenue earned
- b) Non-cash expenses from expenses incurred
- c) Both a & b
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: c) Both a & b**

**7. While preparing Cash Flow Statement, non-cash items and non-operating items are not required to be adjusted under \_\_\_\_\_**

- a) Indirect method
- b) Direct method
- c) Both a & b
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: b) Direct method**

**8. Cash flow from sales is calculated by**

- a) Cash sales + Cash Collections
- b) Sales + Opening debtors+ Opening B/R –Closing Debtors – Closing B/R
- c) Both a and b
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: c) Both a and b**

**9. Cash outflow on purchases is calculated by**

- a) Purchases + Opening Creditors + Opening B/P –Closing Creditors-Closing B/P
- b) Purchases + Opening Creditors - Closing Creditors +Closing B/P
- c) Purchases - Opening Creditors - Opening B/P + Closing Creditors +Closing B/P
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: a) Purchases + Opening Creditors + Opening B/P –Closing Creditors-Closing B/P**

**10. The amount of operating expenses which are actually been paid in cash are shown under:**

- a) Cash flow from sales
- b) Cash outflow on purchases
- c) Cash outflow on expenses
- d) All of above are false

[View Answer / Hide Answer](#)

**ANSWER: c) Cash outflow on expenses**

**11. Given salary expenses Rs 40,000, Outstanding in the beginning of the year: Rs 5,000 and outstanding at the end of the year Rs 10,000. Cash outflow on salary will be:**

- a) Rs 45,000
- b) Rs 35000
- c) Rs 55,000
- d) Rs 15,000

[View Answer / Hide Answer](#)

**ANSWER: b) Rs 35000**

**12. In indirect method, net cash flow from operating activities is calculated on the basis of**

- a) Net Profit after tax
- b) Net profit before tax
- c) Both and b
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: b) Net profit before tax**

**13. Which of the following are added to net profit after tax and extraordinary items to reach to net profit before tax and extraordinary items?**

- A) Provision for tax made during the year
  - B) Proposed dividend made during the year
  - C) Interim dividend
  - D) Transfer to General reserves and other reserves
- 
- a) Both A and B
  - b) Both A and C
  - c) Both B and C
  - d) A, B, C and D

[View Answer / Hide Answer](#)

**ANSWER: d) A, B, C and D**

# Cash Flow From Investing & Financing Activities - MCQs

## 1. Which of the following are cash flow from investing activities?

- A) Interest received
  - B) Dividend received
  - C) Sale of fixed assets
  - D) Purchase of fixed assets
- 
- a) Both A and B
  - b) Both A and C
  - c) Both B and C
  - d) A, B, C and D

[View Answer / Hide Answer](#)

**ANSWER: d) A, B, C and D**

## 2. Which of the following are cash flow from financing activities?

- A) Interest received
  - B) Dividend received
  - C) Interest paid
  - D) Dividend paid
- 
- a) Both A and B
  - b) Both A and C
  - c) Both C and D
  - d) A, B, C and D

[View Answer / Hide Answer](#)

**ANSWER: c) Both C and D**

## 3. Acquisition and disposal of long term assets is included in

- a) Cash flow from investing activities
- b) Cash flow from financing activities
- c) Cash flow from operating activities
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: a) Cash flow from investing activities**

**4. Which of the following statements represent example of cash flow from investing activities?**

- a) Cash advances and loans made by financial enterprises
- b) Cash advances and loans made to third parties
- c) Both a and b
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: b) Cash advances and loans made to third parties**

**5. ABC Ltd had investment of Rs 68,000 as on 31.3.2013 and investment of Rs 56,000 as on 31.3.2014. During the year ABC Ltd sold 40% of its investments being held in the beginning of period at a profit of Rs 16,800. Determine cash flow from investing activities.**

- a) Rs 59,200
- b) Rs 28,800
- c) Rs 72,800
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: b) Rs 28,800**

**6. Financing activities brings changes in**

- a) Size and composition of owner's equities
- b) Borrowing of the enterprise
- c) Both a and b
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: c) Both a and b**

**7. For year 2013 Equity Share Capital is Rs 3,00,000 Preference Share Capital is 1,00,000 10% debentures is 2,00,000 and Share premium is 30,000. For year 2014 Equity Share Capital is Rs 4,00,000 Preference Share Capital is 60,000 10% debentures is 1,00,000 and Share premium is 40,000. Also given, Dividend paid on shares Rs 15,000 and Interest paid on debentures RS 20,000. Determine net cash flow from financing activities.**

- a) Cash inflow of Rs 65,000



- b) Cash outflow of Rs 65,000
- c) Cash inflow of Rs 56,000
- d) Cash outflow of Rs 56,000

[View Answer / Hide Answer](#)

**ANSWER: b) Cash outflow of Rs 65,000**

## Cash Flow Statement & AS-3 - MCQs with answers

### 1. As per AS-3, Cash Flow Statement is mandatory for

- A) All enterprises
  - B) Companies listed on a stock exchange
  - C) Companies with a turnover of more than Rs 50 crores
- 
- a) Both A and B
  - b) Both A and C
  - c) Both C and B

[View Answer / Hide Answer](#)

**ANSWER: c) Both C and B**

### 2. Listed Enterprises need to prepare Cash Flow Statement only under indirect method.

- a) True
- b) False

[View Answer / Hide Answer](#)

**ANSWER: a) True**

### 3. In the case of financial enterprises, the cash flow resulting from interest and dividend received and interest paid should be classified as cash flow from

- a) Operating activities
- b) Financing activities
- c) Investing activities
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: a) Operating activities**

**4. In case of other enterprises cash flow arising from interest paid should be classified as cash flow from \_\_\_\_\_ while dividends and interest received should be stated as cash flow from \_\_\_\_\_.**

- a) Operating activities, financing activities
- b) Financing activities, investing activities
- c) Investing activities, operating activities
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: b) Financing activities, investing activities**

**5. Issue of bonus shares and conversion of debentures into equity are shown as a footnote to the Cash Flow Statement.**

- a) True
- b) False

[View Answer / Hide Answer](#)

**ANSWER: a) True**

**6. When a fixed asset is bought as hire purchase, interest element is classified under \_\_\_\_\_ and loan element is classified under \_\_\_\_\_.**

- a) Operating activities, financing activities
- b) Financing activities, investing activities
- c) Investing activities, operating activities
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: b) Financing activities, investing activities**

**7. Which of the following statements are false?**

- A) Old Furniture written off doesn't affect cash flow.
- B) Cash flow statement is a substitute for cash account.
- C) Appropriation of retained earnings is not shown in Cash flow statement.
- D) Net cash flow during a period can never be negative.

- a) A, B, C
- b) B, C, D
- c) C, D, A
- d) None of the above

[View Answer / Hide Answer](#)

**ANSWER: b) B, C, D**

**8. Which of the following is not a cash inflow?**

- a) Decrease in debtors
- b) Issue of shares
- c) Decrease in creditors
- d) Sale of fixed assets

[View Answer / Hide Answer](#)

**ANSWER: c) Decrease in creditors**

**9. Which of the following is not a cash outflow?**

- a) Increase in Prepaid expenses
- b) Increase in debtors
- c) Increase in stock
- d) Increase in creditors

[View Answer / Hide Answer](#)

**ANSWER: d) Increase in creditors**