

Chapter 14 - Cash flow statement

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- ☐ 1. Which of the following categories is *not* used to classify cash flows in the cash flow statement?
- Managing activities
 - Operating activities
 - Investing activities
 - Financing activities
- ☐ 2. Activities that involve providing and collecting cash as a lender or as an owner of shares and acquiring and disposing of fixed assets are included in which section of the cash flow statement?
- Operating activities
 - Investing activities
 - Financing activities
 - Managing activities
- ☐ 3. Which of the following items will not appear in the cash flow from operating activities section when using the direct method?
- Payments to employees
 - Payments to suppliers
 - Net income
 - Collections from customers
- ☐ 4. Which of the following items is *not* considered as cash or cash equivalent?
- Cash on hand
 - Demand deposits
 - Bank borrowings
 - Investments with a maturity of two months from the date of acquisition.
- ☐ 5. All of the following would be included in a company's operating activities except:
- Income tax payments
 - Collections from customers
 - Cash payments to suppliers
 - Dividend payments
- ☐ 6. Which of the following items is *not* a non-cash item?
- Depreciation expense
 - Amortization expense
 - Reversal of provision
 - Income tax payment
- ☐ 7. Given the following data:
- 135 was raised from the issue of shares in cash (66 of share capital and 69 of share premium);
 - Bonds were converted into capital for 30 (share capital of 16 plus share premium of 14);
 - Bonds were repaid at face value at maturity for 60;
 - Dividends were paid in cash for 8;
- What is the amount of the cash flow from financing activities?
- 135
 - 60
 - 67

d. -8

- ☐ 8. Which of the following transactions does *not* decrease cash?
- a. Purchasing inventory for cash.
 - b. Accruing operating expenses.
 - c. Paying trade accounts payable.
 - d. Purchasing securities that are not cash equivalents.
- ☐ 9. How is free cash flow calculated?
- a. Free cash flow = Cash flow from operating activities + Cash flow from investing activities
 - b. Free cash flow = Available cash flow – Dividends paid
 - c. Free cash flow = Available cash flow + Cash flow from financing activities
 - d. Free cash flow = Available cash flow – Cash flow from financing activities
- ☐ 10. Which of the following ratios is the cash liquidity ratio?
- a. Operating cash flow/Average current assets
 - b. Financing cash flow/Average current liabilities
 - c. Financing cash flow/Average current assets
 - d. Operating cash flow/Average current liabilities