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Financial Accounting MCQ with Answers

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Q1. Which one of the following is a financial asset?

- A. A machine
- B. A factory
- **C. A corporate bond**
- D. All of the Above

Q2. The cost of capital is _____.

- A. another name for the IRR
- B. the cost of debt in a firm that finances with both debt and equity
- **C. the cost of each financing component multiplied by that component's percent of the total borrowed**
- D. None of above

Q3. Which of the following is not a primary source of long-term debt financing?

- A. Bonds
- B. Leases
- C. Notes payable
- **D. Accounts payable**

Q4. Which of the following is not a true statement about commercial paper?

- A. Finance paper is also referred to as direct paper.
- **B. Dealer paper is sold directly to the lender by a finance company.**
- C. Finance paper is sold directly to the lender by the finance company.
- D. Industrial companies, utility firms, or finance companies too small to sell direct paper sell dealer paper instead.

Q5. The four basic sources of long-term funds for a firm are _____.

- A. long-term debt
- B. common stock
- C. preferred stock
- **D. All of the Above**

Q6. All of the following represent cash outflows to the firm except.

- **A. Depreciation.**
- B. Taxes
- C. Interest payments
- D. Dividends

Q7. Current assets - current liabilities = _____ capital.

- A. gaining
- **B. working**
- C. losing
- D. None of above

Q8. Which of the following is true of net working capital?

- A. It is not equal to Gross Working capital
- B. It is a measurement of the companies solvency
- C. It is directly related to the ability to service other expenses
- **D. All of the Above**

Q9. Which one of the following best matches the primary goal of financial management?

- A. Increasing the firm's liquidity
- **B. Increasing the market value of firm**

- C. Increasing the dollar amount of each sale
- D. Transforming fixed costs into variable costs

Q10. Which of the following is not a component of money management?

- A. Storing personal financial records
- B. Creating personal financial statements
- C. Creating a budget are all
- **D. All of the Above**

Q11. A fixed asset can also be referred to as a _____ asset.

- A. liquid
- B. current
- **C. tangible**
- D. trading account

Q12. Which one of the following represents a cash outflow from a corporation?

- A. new loan proceeds
- B. payment of dividends
- C. payment of government taxes
- **D. Both payment of dividends & Government taxes**

Q13. ?Which of the following is a long-term financing option for a firm?

- **A. Corporate bonds**
- B. Liquidity
- C. trade credit
- D. None of above

Q14. Bank capital is equal to _____ minus _____.

- A. total liabilities; total assets
- **B. total assets; total liabilities**
- C. total assets; total reserves
- D. None of above

Q15. Which of the following goals is in the best long-term interest of stockholders?

- A. Risk minimization
- B. Profit maximization
- C. Maximizing sales revenues
- **D. Maximizing of the market value of the existing shareholders' common stock**

Q16. Which of the following is not true about capital budgeting?

- A. It involves large capital investments.
- B. The large capital investments can be reversed at any time.
- **C. It involves identifying projects that will add to the firm's value.**
- D. None of above

Q17. Cash and cash equivalents are divided by _____ to determine the cash ratio.

- A. equity
- B. fixed assets
- **C. total current liabilities**
- D. total long term liabilities

Q18. Which of the following is the best definition of a current liability?

- A. An obligation payable within one year
- B. An obligation payable within one year of the balance sheet date.
- C. An obligation payable within one year or within the normal operating cycle, whichever is longer.
- **D. An obligation expected to be satisfied with current assets or by the creation of other current liabilities.**

Q19. Which of the following is a component of money management?

- A. Creating a cash flow statement.
- B. Creating a balance sheet.
- C. Creating and implementing a plan for spending and saving.
- **D. All of the Above**

Q20. "Which of the following is a source of cash flows"

- **A. increase in accounts payable**
- B. decrease in notes payable
- C. Depreciation
- D. None of above

Q21. Which one of the following is a source of cash?

- A. A decrease in long-term debt
- B. An increase in fixed assets
- **C. An increase in accounts payable**
- D. The payment of a cash dividend

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