

**Financial Accounting Question Test Paper With ANSWERS
On
Cash Flow Statement**



LEARNING FREE ONLINE BUSINESS ACCOUNTING

[\(http://www.basiccollegeaccounting.com/\)](http://www.basiccollegeaccounting.com/)

“Dedicated to helping Students & Teachers”

Section A : 26 FILL IN THE BLANK

Section B : 10 TRUE OR FALSE QUESTIONS

Section C : 11 Multiple Choice Questions

Section A: Questions On Fill In The Blanks

	On the right column please insert the items from which category: Category: X=Cash flows from Operating Activities Y=Cash flows from Investing Activities X=Cash flows from Financing Activities	
	Example :Depreciation	X
1.	Amortization of intangible asset	
2.	Provision for doubtful debts	
3.	Bad debts written off	
4.	Write back of impairment loss on property	
5.	Provision for impairment loss for short term investment	
6.	Property, plant and equipment written off	
7.	Net gain on disposal of property, plant and equipment	
8.	Unrealized loss on foreign exchange translation,net	

(Page 1)



**Financial Accounting Question Test Paper With ANSWERS
On
Cash Flow Statement**

9.	Share of profits of associated profits, net of tax	<input type="text"/>
10.	Net gain on disposal of investment	<input type="text"/>
11.	Interest received	<input type="text"/>
12.	Dividends received	<input type="text"/>
13.	Proceeds from disposal of investments	<input type="text"/>
14.	Purchase of other investments	<input type="text"/>
15.	Purchase of intangible assets	<input type="text"/>
16.	Payment of stamp duties and other costs incidental to acquisition of property	<input type="text"/>
17.	Part proceeds from disposal of non current assets	<input type="text"/>
18.	Deposits paid for acquisition of properties	<input type="text"/>
19.	Proceeds from disposal of club membership	<input type="text"/>
20.	Purchase of a factory	<input type="text"/>
21.	Repayment of short term loan	<input type="text"/>
22.	Decrease in pledged deposits for financing facilities	<input type="text"/>
23.	Net drawdown of loan	<input type="text"/>
24.	Interest paid	<input type="text"/>
25.	Proceeds from issuance of ordinary shares, net of related expenditure	<input type="text"/>
26.	Drawdown of revolving credit facility	<input type="text"/>

(Page 2)



**Financial Accounting Question Test Paper With ANSWERS
On
Cash Flow Statement**



LEARNING FREE ONLINE BUSINESS ACCOUNTING

[\(http://www.basiccollegeaccounting.com/\)](http://www.basiccollegeaccounting.com/)

“Dedicated to helping Students & Teachers”

SECTION B: TRUE OR FALSE

	<p>Indicate whether each of the following statements is true or false by placing:-</p> <p>True = T False = F</p>	
1.	Under the direct method, the increase in the trade receivables account is deducted from sales to determine the cash received from customers	
2.	The direct method provides a more accurate figure of cash flows from operating activities than does the indirect method	
3.	Under the direct method, depreciation is the first noncash account balance analyzed	
4.	Cash receipts from the sale of fixed assets would be classified as cash flow from investing activities	
5.	The statement of cash flow is required as part basic set of financial statements	
6.	Cash outflows from the payment of cash dividends is a type of financing activity	
7.	Under the indirect method, increases in current liabilities are deducted from net income reported on the income statement in determining cash flows from operating activities	
8.	Noncash investing and financing activities that may have a significant effect on future cash flows should be included in a separate schedule to the statement of cash flows	
9.	The correct amount to include in cash flows from financing activities is cash dividends paid, not cash dividends declared	
10.	The analysis of retained earnings provides the starting point for determining cash flows from operating activities under the indirect method only.	

(Page 3)



**Financial Accounting Question Test Paper With ANSWERS
On
Cash Flow Statement**



LEARNING FREE ONLINE BUSINESS ACCOUNTING

[\(http://www.basiccollegeaccounting.com/\)](http://www.basiccollegeaccounting.com/)

“Dedicated to helping Students & Teachers”

SECTION C: QUESTIONS ON MULTIPLES CHOICE QUESTIONS

1 Which of the following is not one of the major sections of the statement of cash flows?

- a. Cash flows from financing activities
- b. cash flows from selling activities
- c. cash flows from operating activities
- d. cash flows from investing activities

2 Non cash investing and financing activities which may have significant effect on future cash flows are reported:

- a. in the statement of cash flows
- b. in a separate schedule to accompany the statement of cash flows
- c. in the retained earnings statement
- d. in a footnote accompanying the balance sheet

3. A loss on the sale of land is reflected on the statement of cash flows by:

- a. adding the loss to the book value of the land to determine the cash flow from investing activities
- b. deducting the loss from net income to determine the cash flow from operating activities
- c. deducting the loss from the book value of the land to determine the cash flow from investing activities
- d. both b and c

4. Cash payments for income taxes are included on the statement of cash flows as :

- a. financing activities
- b. investing activities
- c. operating activities

(Page 4)



**Financial Accounting Question Test Paper With ANSWERS
On
Cash Flow Statement**

d. non-operating activities

5.

To convert the cost of merchandise sold as reported on the income statement to cash payments for merchandise, the cost of merchandise sold is increased for the:

- a. increase in inventories
- b. increase in accounts payable
- c. decrease in inventories
- d. decrease in accounts receivable

6.

Which of the following would not be considered a noncash investing and financing activity in preparing a statement of cash flows?

- a. withdrawal of cash by the owner of a business
- b. issuance of common stock to retire long-term debt
- c. acquisition of a manufacturing plant by issuing bonds
- d. issuance of common stock in exchange for convertible preferred stock

7.

An example of a cash flow from a financing activity is:

- a. receipt of cash from sale of land
- b. receipt of cash from collection of accounts receivable
- c. payment of cash for acquisition of treasury stock
- d. payment of cash for new machinery

8.

Which of the following items appears first on the statement of cash flows prepared using the direct method?

- a. retained earnings
- b. cash received from customers
- c. net income
- d. depreciation

(Page 5)



**Financial Accounting Question Test Paper With ANSWERS
On
Cash Flow Statement**



LEARNING FREE ONLINE BUSINESS ACCOUNTING

[\(http://www.basiccollegeaccounting.com/\)](http://www.basiccollegeaccounting.com/)

“Dedicated to helping Students & Teachers”

9.

Under the direct method, which of the following items must be added to operating expenses reported on the income statement to determine cash payments for operating expenses?

- a. increase in accrued expenses
- b. decrease in prepaid expenses
- c. increase in income taxes payable
- d. increase in prepared expenses

10.

Under the indirect method, which of the following items must be deducted from reported net income to determine net cash flow from operating activities?

- a. depreciation of fixed assets
- b. decreases in current assets
- c. decreases in current liabilities
- d. loss on sale of equipment

11.

During the year, ABC plc declared \$40,000 in cash dividends. If the beginning and ending balance of the dividends payable account was \$12,000 and \$10,000, respectively, what amount of cash paid for dividends will appear in the cash flow from financing activities section of the statement of cash flows?

- a. \$30,000
- b. \$38,000
- c. \$40,000
- d. \$42,000

(Page 6)



**Financial Accounting Question Test Paper With ANSWERS
On
Cash Flow Statement**



LEARNING FREE ONLINE BUSINESS ACCOUNTING

[\(http://www.basiccollegeaccounting.com/\)](http://www.basiccollegeaccounting.com/)

“Dedicated to helping Students & Teachers”

ANSWER TO SECTION A: FILL IN THE BLANK

Question 1 to 10 = Cash flows from Operating Activities

Question 11 to 20 = Cash flows from Investing Activities

Question 21 to 26 = Cash flows from Financing Activities

ANSWER TO SECTION B: TRUE OR FALSE

1.	T
2.	F
3.	F
4.	T
5.	T
6.	T
7.	F
8.	T
9.	T
10.	T

(Page 7)



**Financial Accounting Question Test Paper With ANSWERS
On
Cash Flow Statement**



LEARNING FREE ONLINE BUSINESS ACCOUNTING

[\(http://www.basiccollegeaccounting.com/\)](http://www.basiccollegeaccounting.com/)

“Dedicated to helping Students & Teachers”

ANSWER TO SECTION C: MULTIPLES CHOICE QUESTIONS

1	B
2	B
3.	C
4.	C
5.	A
6.	A
7.	C
8.	B
9.	D
10.	C
11.	D

(Page 8)

