

# IFRS for SMEs) Practice Test Questions and Answers

## 1. Why is the statement of cash flows important?

- A) To show cash inflows and outflows from operations, investing, and financing
- B) To replace the statement of financial position
- C) To show revenue earned in a period
- D) To record only financing transactions

## 2. Under IFRS for SMEs, a finance lease is one that:

- A) Transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee
- B) Has a lease term of more than one year
- C) Has a lease term equal to or greater than 75% of the asset's useful life
- D) Includes a purchase option at fair value

## 3. Which statement reports a company's profit or loss?

- A) Statement of comprehensive income
- B) Statement of financial position
- C) Statement of changes in equity
- D) Cash flow statement

## 4. What does the statement of changes in equity report?

- A) Changes in equity, including retained earnings and dividends
- B) Only the net income for the period
- C) Only cash transactions related to equity
- D) Financial liabilities of the business

**Answers: 1-A 2-A 3-A 4-A**

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