MGT101
FINANCIAL ACCOUNTING

Important subjective

Lec 1 - Basic Concepts of Accounting

1. **Define the accounting equation.** Answer: The accounting equation states that assets must always equal liabilities plus equity. This equation is fundamental to double-entry accounting and ensures that every financial transaction is recorded accurately and completely.
2. **What is the purpose of a chart of accounts?** Answer: The chart of accounts organizes transactions into specific categories for easier analysis and reporting. Each account is assigned a unique number or code and is used to classify transactions according to their type.
3. **Explain the concept of double-entry accounting.** Answer: Double-entry accounting involves recording two entries for every transaction - a debit and a credit - to ensure accuracy and completeness. Debits represent an increase in assets or a decrease in liabilities or equity, while credits represent the opposite.
4. **What is the difference between financial accounting and management accounting?** Answer: Financial accounting focuses on recording and reporting financial transactions to external stakeholders, while management accounting focuses on using financial information to make strategic decisions within the organization.
5. **What is the difference between assets and liabilities?** Answer: Assets are resources owned by a company that have value and can be used to generate revenue, while liabilities are obligations to pay for goods or services received.
6. **What is the purpose of adjusting entries?** Answer: Adjusting entries are made at the end of an accounting period to ensure that financial statements accurately reflect a company's financial position. They may include accruals, deferrals, and estimates.
7. **What is the difference between net income and net loss?** Answer: Net income is the difference between a company's revenues and expenses, while net loss is the opposite - when expenses exceed revenues.
8. **What is the purpose of the income statement?** Answer: The income statement shows a company's revenues and expenses over a period of time and calculates its net income or net loss. It is an important tool for assessing a company's profitability.
9. **What is the purpose of the statement of cash flows?** Answer: The statement of cash flows shows a company's inflows and outflows of cash over a period of time. It is an important tool for assessing a company's liquidity and cash management.
10. **What is the difference between a current asset and a fixed asset?** Answer: Current assets are those that can be converted into cash within a year, while fixed assets are long-term assets that are used to generate revenue, such as property, plant, and equipment.

Lec 2 - Record Keeping and Some Basic Concepts

1. **What is record keeping?**
   Answer: Record keeping is the process of maintaining accurate and complete records of business transactions.

2. **Why is record keeping important for businesses?**
   Answer: Record keeping is important for businesses because it helps them keep track of their finances, comply with legal requirements, make informed decisions, and identify opportunities for growth.

3. **What are the different types of records that businesses should keep?**
   Answer: The different types of records that businesses should keep include financial statements, tax records, payroll records, sales records, and customer records.

4. **What are the basic components of a record keeping system?**
   Answer: The basic components of a record keeping system include a ledger book, a filing system, and a system for organizing and storing electronic records.

5. **What is the purpose of accounting software in record keeping?**
   Answer: Accounting software is used in record keeping to automate and streamline the process of maintaining financial records, providing accurate and timely financial reports, and improving overall efficiency.

6. **What are the benefits of accurate record keeping?**
   Answer: The benefits of accurate record keeping include better financial decision-making, compliance with legal requirements, improved communication with stakeholders, and identification of opportunities for growth.

7. **What are the consequences of poor record keeping?**
   Answer: Poor record keeping can lead to financial losses, legal penalties, poor decision-making, and damage to a company's reputation.

8. **How often should businesses update their records?**
   Answer: Businesses should update their records regularly, ideally on a daily or weekly basis, to ensure that they are accurate and up-to-date.

9. **What is the difference between internal and external records?**
   Answer: Internal records are those that are created and maintained within the organization, such as employee time sheets and purchase orders. External records are those that are generated by external parties, such as bank statements and customer invoices.

10. **How can businesses ensure the security and privacy of their records?**
    Answer: Businesses can ensure the security and privacy of their records by implementing proper access controls, storing records in secure locations, and using encryption and password protection for electronic records.

Lec 3 - Systems of Accounting and Some Basic Terminologies

1. **What is the purpose of the accounting equation, and how is it expressed?**
Answer: The accounting equation expresses the relationship between a business's assets, liabilities, and equity. It is expressed as: Assets = Liabilities + Equity. The purpose of the accounting equation is to ensure that a business's financial statements are accurate and balanced.

2. **What is double-entry accounting, and why is it important?**
Answer: Double-entry accounting is a system of accounting where every financial transaction is recorded in two different accounts, with one account being debited and the other being credited. This system is important because it ensures that all transactions are accurately recorded and that the financial statements are balanced.

3. **What is the difference between a balance sheet and an income statement?**
Answer: A balance sheet is a financial statement that shows a business's assets, liabilities, and equity at a specific point in time. An income statement, on the other hand, shows a business's revenues, expenses, and net income over a specific period of time.

4. **What is the purpose of a general ledger, and what information does it contain?**
Answer: The purpose of a general ledger is to record all of a business's financial transactions in a central location. It contains information about each transaction, including the date, amount, accounts debited and credited, and a brief description of the transaction.

5. **What are accounts payable, and how are they recorded in a business's financial statements?**
Answer: Accounts payable are the amount of money a business owes to its suppliers for goods or services purchased on credit. They are recorded as a liability on a business's balance sheet.

6. **What is depreciation, and how is it recorded in a business's financial statements?**
Answer: Depreciation is the process of spreading the cost of a long-term asset over its useful life. It is recorded as an expense on a business's income statement.

7. **What is the difference between gross profit and net profit?**
Answer: Gross profit is the difference between a business's revenue and the cost of goods sold. Net profit, on the other hand, is the difference between a business's total revenue and total expenses.

8. **What is a trial balance, and why is it important?**
Answer: A trial balance is a report that lists all of a business's accounts and their balances. It is important because it helps ensure that the debits and credits in a business's financial statements are equal and that the statements are accurate.

9. **What is an audit, and why is it important for businesses?**
Answer: An audit is a review of a business's financial statements and accounting records by an independent third party. It is important for businesses because it helps ensure that the financial statements are accurate and that the business is complying with all relevant laws and regulations.

10. **What is a cash flow statement, and how is it different from other financial statements?**
Answer: A cash flow statement is a financial statement that shows the inflows and outflows of cash in a business over a specific period of time. It is different from other financial statements

because it focuses solely on cash transactions and does not include non-cash items such as depreciation.

Lec 4 - Single and Double Entry Record Keeping

1. **What is single entry record keeping?**
   Answer: Single entry record keeping is a simple method where only one account is maintained for each business transaction. It records the basic details of a transaction like date, amount, and the accounts involved.

2. **What is double entry record keeping?**
   Answer: Double entry record keeping is a more complex method where every transaction is recorded in two accounts, with one account being debited and the other being credited. It follows the principle of duality, where every transaction has an equal and opposite effect on two accounts.

3. **What is the purpose of using double entry record keeping?**
   Answer: The purpose of double entry record keeping is to ensure accuracy in recording and to make sure that the accounting equation remains balanced. It also allows for the creation of financial statements such as the balance sheet, income statement, and cash flow statement.

4. **What is the difference between single entry and double entry record keeping?**
   Answer: In single entry record keeping, only one account is maintained for each transaction, while in double entry record keeping, every transaction is recorded in two accounts. Double entry record keeping provides better accuracy and ensures that the accounting equation remains balanced.

5. **What is an account in accounting?**
   Answer: An account in accounting is a record that shows the financial transactions of a particular item or entity, such as an asset, liability, revenue, or expense.

6. **What is the purpose of a ledger in accounting?**
   Answer: The purpose of a ledger in accounting is to record all financial transactions and to maintain a complete record of a company's financial transactions.

7. **What is a trial balance?**
   Answer: A trial balance is a list of all the accounts in a company's ledger and their respective debit or credit balances. It is used to ensure that the total debits and credits in the ledger are equal, which means that the accounting equation remains balanced.

8. **What is the accounting equation?**
   Answer: The accounting equation is the foundation of double entry accounting. It states that assets must always equal liabilities plus equity.

9. **What is an asset in accounting?**
   Answer: An asset in accounting is anything of value that a company owns or controls and that can be used to generate future economic benefits.

10. **What is a liability in accounting?**
    Answer: A liability in accounting is an obligation that a company has to pay in the future. It represents an amount owed to another person or entity, such as a loan or debt.

Lec 5 - Classification of Account

1. **What is the purpose of classifying accounts?**
Answer: The purpose of classifying accounts is to group and categorize accounts based on their nature and purpose, making it easier to create accurate financial statements and analyze a company's financial performance.

2. **What are the five main categories of accounts?**
Answer: The five main categories of accounts are assets, liabilities, equity, income, and expenses.

3. **What are assets?**
Answer: Assets are resources owned by a company that have monetary value and can be used to generate revenue.

4. **What are liabilities?**
Answer: Liabilities are obligations owed by a company to creditors and other parties.

5. **What is equity?**
Answer: Equity represents the amount of money invested by the owners of a company and the value of the company's assets after deducting its liabilities.

6. **What is income?**
Answer: Income represents the money earned by a company through the sale of goods or services.

7. **What are expenses?**
Answer: Expenses represent the costs incurred by a company in order to generate revenue.

8. **What is the difference between assets and liabilities?**
Answer: Assets represent resources owned by a company, while liabilities represent obligations owed by a company.

9. **What is the difference between equity and liabilities?**
Answer: Equity represents the amount of money invested by the owners of a company and the value of the company's assets after deducting its liabilities, while liabilities represent obligations owed by a company.

10. **Why is the classification of accounts important in accounting?**
Answer: The classification of accounts is important in accounting because it provides a clear understanding of a company's financial position and helps in creating accurate financial statements and analyzing the financial performance of a business.

Lec 6 - Flow of Transactions

1. **What are the main components of the flow of transactions?**
   Answer: The main components of the flow of transactions include order placement, payment processing, and delivery of goods or services.

2. **Why is effective management of the flow of transactions important for businesses?**
   Answer: Effective management of the flow of transactions is important for businesses to ensure timely and accurate processing of orders, minimize errors and fraud, and provide a seamless customer experience.

3. **How has technology impacted the flow of transactions?**
   Answer: Technologies such as blockchain and digital payments have revolutionized the flow of transactions, making it faster, more secure, and transparent.

4. **What is the role of intermediaries in the flow of transactions?**
   Answer: The role of intermediaries in the flow of transactions is to play a specific role in the process, such as processing payments or delivering goods.

5. **What are some potential risks in the flow of transactions?**
   Answer: Potential risks in the flow of transactions include errors and fraud, delayed delivery, and lack of communication.

6. **How can businesses minimize the risks in the flow of transactions?**
   Answer: Businesses can minimize the risks in the flow of transactions by implementing effective controls, such as internal audit procedures, and using secure technologies like blockchain.

7. **What are some benefits of effective management of the flow of transactions?**
   Answer: Benefits of effective management of the flow of transactions include timely and accurate processing of orders, minimized errors and fraud, and a seamless customer experience.

8. **How can businesses ensure a seamless customer experience in the flow of transactions?**
   Answer: Businesses can ensure a seamless customer experience in the flow of transactions by providing timely updates on order status, clear and transparent communication, and fast and reliable delivery.

9. **How has the COVID-19 pandemic impacted the flow of transactions?**
   Answer: The COVID-19 pandemic has accelerated the adoption of digital payments and e-commerce, changing the flow of transactions and making it more reliant on technology.

10. **What are some potential solutions for managing the flow of transactions effectively?**
    Answer: Potential solutions for managing the flow of transactions effectively include automating the process, training employees, and implementing secure technologies like blockchain.

Lec 7 - Basic Books of Accounts

1. **What are the basic books of accounts?**
   Answer: The basic books of accounts include the ledger, cash book, journal, and trial balance.

2. **What is a ledger?**
   Answer: A ledger is a book that records all the transactions of a business in a systematic manner, arranged in different accounts.

3. **What is a cash book?**
   Answer: A cash book is a book that records all cash and bank transactions of a business.

4. **What is a journal?**
   Answer: A journal is a book that records all the financial transactions of a business in the order they occur.

5. **What is a trial balance?**
   Answer: A trial balance is a statement that lists all the accounts in the ledger with their debit or credit balances to ensure that the total of all debits equals the total of all credits.

6. **What is the purpose of a ledger?**
   Answer: The purpose of a ledger is to keep a record of all financial transactions of a business in a systematic manner to prepare accurate financial statements.

7. **What is the importance of a cash book?**
   Answer: The cash book is important as it helps to track all cash and bank transactions, which enables a business to manage its cash flow effectively.

8. **What is the importance of a journal?**
   Answer: The journal is important as it records all financial transactions in chronological order, which helps in identifying errors and making corrections.

9. **What is the purpose of a trial balance?**
   Answer: The purpose of a trial balance is to ensure that all transactions have been recorded correctly and to identify any errors or discrepancies in the books of accounts.

10. **Why are the basic books of accounts important?**
    Answer: The basic books of accounts are important as they help a business keep track of its financial transactions, which enables it to make informed decisions and prepare accurate financial statements.

Lec 8 - Introduction to Financial Statements

1. **What are financial statements, and what is their purpose?**
   Answer: Financial statements are reports that provide information about the financial performance and position of a business. Their purpose is to provide information for decision-making by investors, creditors, and management.

2. **What is the difference between the income statement and the balance sheet?**
   Answer: The income statement shows a company's revenues and expenses over a period of time, while the balance sheet shows a company's assets, liabilities, and equity at a specific point in time.

3. **What is the formula for calculating net income, and why is it important?**
   Answer: The formula for calculating net income is revenue minus expenses. It is important because it shows a company's profitability over a period of time.

4. **What is the statement of cash flows, and why is it important?**
   Answer: The statement of cash flows shows how much cash a company generated or used during a period. It is important because it provides information about a company's liquidity and cash flow management.

5. **What is the accounting equation, and how does it relate to the balance sheet?**
   Answer: The accounting equation is assets equals liabilities plus equity. It relates to the balance sheet because it is the fundamental equation that the balance sheet is based on.

6. **What is the purpose of the statement of retained earnings?**
   Answer: The purpose of the statement of retained earnings is to show how a company's retained earnings changed over a period.

7. **What are the three sections of the statement of cash flows?**
   Answer: The three sections of the statement of cash flows are operating activities, investing activities, and financing activities.

8. **What is the difference between current assets and non-current assets?**
   Answer: Current assets are assets that are expected to be converted to cash within one year, while non-current assets are assets that are not expected to be converted to cash within one year.

9. **What is the difference between current liabilities and long-term liabilities?**
   Answer: Current liabilities are liabilities that are due within one year, while long-term liabilities are liabilities that are due in more than one year.

10. **Why is it important for financial statements to be accurate and reliable?**
    Answer: It is important for financial statements to be accurate and reliable because they are used by investors, creditors, and management to make informed decisions about the business. Inaccurate or unreliable financial statements can lead to incorrect decisions and financial losses.

Lec 9 - Introduction to Financial Statements (Continued)

1. **What are the three types of financial statements?**
   Answer: The three types of financial statements are the income statement, balance sheet, and cash flow statement.
2. **What is the purpose of the income statement?**
   Answer: The purpose of the income statement is to show a company's revenues and expenses over a period of time and calculate its net income.
3. **What is the accounting equation?**
   Answer: The accounting equation is Assets = Liabilities + Equity.
4. **What is the purpose of the balance sheet?**
   Answer: The purpose of the balance sheet is to show a company's assets, liabilities, and equity at a specific point in time.
5. **What is the statement of cash flows?**
   Answer: The statement of cash flows is a financial statement that shows how much cash a company generated or used during a period.
6. **What is the purpose of the statement of retained earnings?**
   Answer: The purpose of the statement of retained earnings is to show how a company's retained earnings changed over a period.
7. **What is net income?**
   Answer: Net income is the amount of money a company earned after deducting all of its expenses from its revenues.
8. **What is the difference between accounts payable and accounts receivable?**
   Answer: Accounts payable is money owed by a company to its creditors, while accounts receivable is money owed to a company by its customers.
9. **What is the difference between long-term and short-term assets?**
   Answer: Long-term assets are expected to provide benefits for more than one year, while short-term assets are expected to provide benefits for less than one year.
10. **What is the difference between long-term and short-term liabilities?**
    Answer: Long-term liabilities are due in more than one year, while short-term liabilities are due within one year.

Lec 10 - Exercises: Recording of Transactions

1. **What is a transaction in accounting?**
   Answer: A transaction in accounting is any economic event that affects a company's financial position and is recorded in the accounting system.
2. **What is the purpose of a journal entry?**
   Answer: The purpose of a journal entry is to record a transaction in the accounting system.
3. **What is the difference between a debit and a credit in accounting?**
   Answer: In accounting, a debit is an entry made on the left side of an account, while a credit is an entry made on the right side of an account.
4. **What is the double-entry accounting system?**
   Answer: The double-entry accounting system is a system of accounting that requires every transaction to be recorded in at least two accounts.
5. **What is the trial balance?**
   Answer: The trial balance is a list of all accounts and their balances at a specific point in time, used to ensure that the total debits equal the total credits in the accounting system.
6. **What is the purpose of the income statement?**
   Answer: The purpose of the income statement is to show a company's revenues and expenses over a specific period of time, typically a quarter or a year.
7. **What is the purpose of the balance sheet?**
   Answer: The purpose of the balance sheet is to show a company's financial position at a specific point in time by listing its assets, liabilities, and equity.
8. **What is the purpose of the statement of cash flows?**
   Answer: The purpose of the statement of cash flows is to show how a company generated and used cash during a specific period of time.
9. **What is the difference between cash and accrual accounting?**
   Answer: Cash accounting records transactions when cash is received or paid, while accrual accounting records transactions when they occur, regardless of when cash is received or paid.
10. **What is the purpose of adjusting entries?**
    Answer: The purpose of adjusting entries is to update account balances and ensure that the financial statements reflect accurate information at the end of an accounting period.

Lec 11 - Exercises: Recording of Transactions (Continued)

1. **What is the purpose of adjusting entries in accounting?**
   Answer: Adjusting entries are made to update account balances and ensure that the financial statements accurately reflect the company's financial position and performance.

2. **What is a reversing entry and when is it used?**
   Answer: A reversing entry is an optional entry made at the beginning of a new accounting period to reverse the effects of a previous adjusting entry.

3. **What is the purpose of closing entries in accounting?**
   Answer: Closing entries are made to transfer net income or loss to the retained earnings account and close temporary accounts in preparation for the next accounting period.

4. **What is the difference between a general journal and a specialized journal?**
   Answer: A general journal is used to record transactions that do not fit into a specialized journal, while specialized journals are used to simplify the recording process for certain types of transactions.

5. **What is the purpose of a trial balance?**
   Answer: The purpose of a trial balance is to ensure that the accounting system remains in balance and to identify any errors in the recording process.

6. **What is the purpose of the sales journal?**
   Answer: The sales journal is used to record credit sales.

7. **What is the purpose of the purchases journal?**
   Answer: The purchases journal is used to record credit purchases.

8. **What is the difference between accrued expenses and prepaid expenses?**
   Answer: Accrued expenses are expenses that have been incurred but not yet paid, while prepaid expenses are expenses that have been paid in advance.

9. **What is the difference between depreciation expense and accumulated depreciation?**
   Answer: Depreciation expense is the amount of a long-term asset's cost that is expensed during a specific period, while accumulated depreciation is the total amount of depreciation that has been recorded for a long-term asset over its useful life.

10. **What is the purpose of the post-closing trial balance?**
    Answer: The purpose of the post-closing trial balance is to ensure that the accounting system remains in balance after all closing entries have been made.

Lec 12 - Accounting Equation

1. **Define the accounting equation.**

Answer: The accounting equation is a fundamental concept in accounting that represents the relationship between a company's assets, liabilities, and equity. The equation states that assets are equal to the sum of liabilities and equity.

2. **What is the purpose of the accounting equation?**

Answer: The purpose of the accounting equation is to ensure that accounting records remain in balance. It serves as the basis for double-entry bookkeeping and helps ensure the accuracy of financial statements.

3. **What is an asset in the accounting equation?**

Answer: An asset is anything of value that a company owns or controls. Examples of assets include cash, inventory, property, and equipment.

4. **What is a liability in the accounting equation?**

Answer: A liability is an obligation that a company owes to another party. Examples of liabilities include accounts payable, loans, and taxes owed.

5. **What is equity in the accounting equation?**

Answer: Equity represents the residual value of a company's assets after deducting liabilities. It includes owner's equity and retained earnings.

6. **What is the relationship between assets and liabilities in the accounting equation?**

Answer: Assets are equal to the sum of liabilities and equity. This means that a company's assets are financed by either its liabilities or its equity.

7. **What happens to equity when a company generates a profit?**

Answer: Equity increases when a company generates a profit because net income is added to retained earnings.

8. **What happens to equity when a company distributes dividends?**

Answer: Equity decreases when a company distributes dividends because it represents a distribution of profits to shareholders.

9. **What is the significance of the accounting equation in financial analysis?**

Answer: The accounting equation provides a snapshot of a company's financial position and is used in financial analysis to assess its solvency and liquidity.

10. **How does the accounting equation help in detecting errors in financial statements?**

Answer: The accounting equation helps in detecting errors in financial statements because it ensures that assets equal the sum of liabilities and equity. If the accounting equation is not balanced, there is an error in the financial statements that needs to be corrected.

Lec 13 - Vouchers and Posting to Ledger Accounts

1. **What is a voucher?**
   Answer: A voucher is a document that serves as proof of a financial transaction.
2. **What is the purpose of a payment voucher?**
   Answer: The purpose of a payment voucher is to document a payment made by a company to a third party.
3. **What is a ledger account?**
   Answer: A ledger account is a record of all the transactions related to a specific account in a company's accounting system.
4. **What is the difference between a debit and a credit in accounting?**
   Answer: In accounting, a debit is an entry that increases an asset or expense account, or decreases a liability or equity account. A credit is an entry that increases a liability or equity account, or decreases an asset or expense account.
5. **What is the purpose of posting to ledger accounts?**
   Answer: The purpose of posting to ledger accounts is to summarize financial transactions in a way that makes it easy to see the total amount for each account.
6. **What is a contra account?**
   Answer: A contra account is an account that is used to offset another account, such as accumulated depreciation for a fixed asset.
7. **What is a trial balance?**
   Answer: A trial balance is a report that lists all the accounts in a company's accounting system and their balances, to ensure that debits equal credits.
8. **What is the purpose of a general journal?**
   Answer: The purpose of a general journal is to record all types of transactions that cannot be recorded in any other specialized journal.
9. **What is double-entry accounting?**
   Answer: Double-entry accounting is an accounting system where every financial transaction is recorded in two different accounts, with one entry as a debit and one as a credit.
10. **What is the difference between a general ledger and a subsidiary ledger?**
    Answer: A general ledger contains all the accounts in a company's accounting system, while a subsidiary ledger contains details of a specific account within the general ledger.

Lec 14 - Posting to Ledgers & Recording of Stock

1. **What is the purpose of posting to ledgers in accounting?**
   Answer: The purpose of posting to ledgers is to transfer transactional data from the journal to the appropriate ledger accounts, enabling a business to maintain accurate financial records.

2. **What is the difference between accounts payable and accounts receivable?**
   Answer: Accounts payable are amounts owed by a business to its vendors or suppliers, while accounts receivable are amounts owed to a business by its customers.

3. **What is the purpose of the perpetual inventory system?**
   Answer: The purpose of the perpetual inventory system is to maintain a real-time record of inventory movements, enabling a business to keep track of inventory levels and to determine the cost of goods sold.

4. **How is the cost of goods sold calculated?**
   Answer: The cost of goods sold is calculated by adding the beginning inventory to the purchases made during the period and subtracting the ending inventory.

5. **What is the purpose of the periodic inventory system?**
   Answer: The purpose of the periodic inventory system is to physically count inventory at the end of a specific period, enabling a business to determine the value of its inventory and to adjust its records accordingly.

6. **How is the weighted average cost method used to value inventory?**
   Answer: The weighted average cost method involves calculating the average cost of inventory by dividing the total cost of goods available for sale by the total units available for sale.

7. **What is the difference between FIFO and LIFO inventory valuation methods?**
   Answer: FIFO assumes that the first inventory items purchased are the first to be sold, while LIFO assumes that the last inventory items purchased are the first to be sold.

8. **How is the cost of goods sold recorded in the ledger?**
   Answer: The cost of goods sold is recorded as a debit to the cost of goods sold account and a credit to the inventory account.

9. **What is the purpose of the inventory turnover ratio?**
   Answer: The purpose of the inventory turnover ratio is to measure how many times a business sells and replaces its inventory during a specific period.

10. **How is the value of ending inventory calculated using the LIFO method?**
    Answer: The value of ending inventory is calculated by multiplying the number of units in ending inventory by the cost per unit of the most recent inventory purchases.

Lec 15 - Recording of Stock (Continued)

1. **What is the perpetual inventory system, and how is it different from the periodic inventory system?**
Answer: The perpetual inventory system maintains a real-time record of inventory movements, while the periodic inventory system involves physically counting inventory at specific intervals.

2. **Why is it important for businesses to keep accurate records of their inventory movements?**
Answer: Accurate inventory records enable businesses to make informed decisions regarding their inventory levels, reduce the risk of stockouts, and determine the cost of goods sold.

3. **What is the inventory turnover ratio, and how is it calculated?**
Answer: The inventory turnover ratio measures how many times a business sells and replaces its inventory during a specific period. It is calculated by dividing the cost of goods sold by the average inventory level.

4. **What is the difference between the FIFO and LIFO inventory valuation methods?**
Answer: FIFO assumes that the first inventory items purchased are the first to be sold, while LIFO assumes that the last inventory items purchased are the first to be sold.

5. **How does the weighted average cost method work?**
Answer: The weighted average cost method calculates the average cost of inventory by dividing the total cost of goods available for sale by the total units available for sale.

6. **How is the cost of goods sold calculated using the periodic inventory system?**
Answer: The cost of goods sold is calculated by adding the beginning inventory to the purchases made during the period and subtracting the ending inventory.

7. **What is the impact of using different inventory valuation methods on a business's financial results?**
Answer: Different inventory valuation methods can have a significant impact on a business's financial results, such as its net income, taxes, and inventory levels.

8. **What is the purpose of adjusting entries in the recording of stock?**
Answer: Adjusting entries are made to update the inventory accounts and adjust the financial statements to reflect the correct inventory levels and costs.

9. **How does the LIFO method affect a business's taxes?**
Answer: The LIFO method can reduce a business's taxable income by assuming that the most recently purchased inventory items are the first to be sold.

10. **What are the advantages and disadvantages of using the perpetual inventory system?**
Answer: The advantages of using the perpetual inventory system include real-time inventory tracking and more accurate cost of goods sold calculations. The disadvantages include higher costs and the need for accurate record-keeping.

Lec 16 - Cost of goods Sold Statement & Valuation of Stock

1. **What is the Cost of Goods Sold (COGS) statement, and why is it important for businesses?**
   Answer: The COGS statement reflects the cost of the goods sold by a business and is important for determining the gross profit and net income.

2. **What are some methods used for valuing inventory, and how do they differ?**
   Answer: Methods such as FIFO, LIFO, and weighted average are used to value inventory, and they differ in how they assign costs to the goods sold.

3. **How does the LIFO method impact the COGS and taxes of a business?**
   Answer: The LIFO method can reduce the COGS, which in turn can increase the gross profit and reduce taxes.

4. **What is the FIFO method, and how does it differ from the LIFO method?**
   Answer: The FIFO method assumes that the first goods purchased are the first sold, while the LIFO method assumes that the last goods purchased are the first sold.

5. **Why is accurate valuation of inventory important for financial decision-making?**
   Answer: Accurate valuation of inventory ensures that the COGS statement reflects the correct cost of goods sold and helps businesses make informed decisions on pricing and liquidation.

6. **What is the weighted average method, and how is it used to value inventory?**
   Answer: The weighted average method calculates the average cost of all the goods available for sale and uses this average cost to calculate the COGS.

7. **How can businesses use inventory valuation to identify slow-moving or obsolete inventory?**
   Answer: Accurate inventory valuation can help businesses identify slow-moving or obsolete inventory, which can help them make informed decisions on pricing and liquidation.

8. **What is the impact of using the LIFO method on the accuracy of the COGS statement?**
   Answer: The LIFO method may not accurately reflect the actual cost of the goods sold.

9. **What are the potential drawbacks of using the FIFO method?**
   Answer: The FIFO method may result in higher taxes, but it may provide a more accurate representation of the cost of the goods sold.

10. **Why is accurate valuation of inventory important for determining the net income of a business?**
    Answer: Accurate valuation of inventory is critical for determining the COGS and gross profit, which in turn impact the net income of a business.

Lec 17 - Fixed Assets and Depreciation

1. **What is a fixed asset, and how is it different from a current asset?**
   Answer: A fixed asset is a long-term tangible asset that a business owns and uses in its operations, such as property, plant, and equipment. Current assets are short-term assets that are expected to be converted into cash within a year.

2. **What is depreciation, and why is it necessary?**
   Answer: Depreciation is the process of allocating the cost of a fixed asset over its useful life. It is necessary to accurately track the value of fixed assets and to comply with accounting standards.

3. **What are some of the methods of depreciation, and how do they differ?**
   Answer: Methods of depreciation include straight-line, declining balance, and units of production. They differ in the way they allocate the cost of an asset over its useful life.

4. **What is salvage value, and how does it impact depreciation?**
   Answer: Salvage value is the estimated value of a fixed asset at the end of its useful life. It impacts depreciation by reducing the total amount of cost that can be allocated to depreciation.

5. **How is depreciation calculated using the straight-line method?**
   Answer: Depreciation using the straight-line method is calculated by subtracting the estimated salvage value of an asset from its cost and then dividing the result by its useful life.

6. **What is the impact of depreciation on a business's financial statements?**
   Answer: Depreciation reduces the value of fixed assets on a business's balance sheet and also reduces equity on its income statement.

7. **How do changes in depreciation impact a business's financial statements?**
   Answer: Changes in depreciation impact a business's financial statements by altering the amount of depreciation expense recognized on the income statement, which in turn affects equity and net income.

8. **Why is it important to accurately track fixed assets?**
   Answer: Accurately tracking fixed assets is important for financial decision-making, tax reporting, and compliance with accounting standards.

9. **How does depreciation impact a business's tax liability?**
   Answer: Depreciation reduces a business's taxable income, which can lower its tax liability.

10. **What are some strategies that businesses can use to maximize the tax benefits of depreciation?**
    Answer: Businesses can maximize the tax benefits of depreciation by choosing the most advantageous method of depreciation and by making strategic decisions about when to purchase and dispose of fixed assets.

Lec 18 - Methods of Charging Depreciation

1. **What is depreciation, and why is it charged on fixed assets?**
   Depreciation is the process of allocating the cost of a fixed asset over its useful life. It is charged to reflect the gradual decrease in the asset's value over time as it is used to generate revenue.

2. **What is the straight-line method of depreciation, and when is it commonly used?**
   The straight-line method of depreciation is the simplest and most commonly used method. It involves dividing the cost of the asset, less its estimated salvage value, by its useful life. This results in a constant amount of depreciation expense each year.

3. **What is the declining balance method of depreciation, and what are its advantages and disadvantages?**
   The declining balance method involves applying a higher rate of depreciation in the earlier years of an asset's life, and a lower rate in later years. The advantages include higher depreciation expenses in the early years, while the disadvantage is that it can result in a negative book value.

4. **How is the rate of depreciation determined in the declining balance method?**
   The rate of depreciation in the declining balance method is determined by a fixed percentage of the remaining balance of the asset.

5. **What is the units of production method of depreciation, and when is it commonly used?**
   The units of production method bases depreciation on the amount of output produced by the asset. It is commonly used for assets that produce varying amounts of output from year to year.

6. **How is the depreciation expense calculated under the units of production method?**
   The depreciation expense is calculated by dividing the cost of the asset by the total estimated units of output it will produce over its useful life, and then multiplying that rate by the actual units produced in each year.

7. **What are the advantages and disadvantages of the units of production method of depreciation?**
   The advantages of the units of production method include that it accurately reflects usage, while the disadvantage is that it can be difficult to predict output levels.

8. **How does the choice of depreciation method impact a business's financial statements?**
   The choice of depreciation method impacts a business's financial statements by affecting the amount of depreciation expense charged each year, which in turn affects net income and the balance sheet.

9. **What factors should a business consider when choosing a depreciation method?**
   A business should consider the asset's useful life, estimated salvage value, output levels, and other specific needs and circumstances when choosing a depreciation method.

10. **How can a business ensure that its chosen method of depreciation is accurate and appropriate?**
    A business can ensure that its chosen method of depreciation is accurate and appropriate by regularly reviewing and adjusting its estimates of the asset's useful life, salvage value, and output levels, and by seeking professional advice when necessary.

Lec 19 - Methods for Charging Depreciation (Continued)

1. **What is depreciation, and why is it charged on fixed assets?**
Answer: Depreciation is the allocation of the cost of a fixed asset over its useful life. It is charged to recognize the reduction in the asset's value over time due to wear and tear, obsolescence, and other factors.

2. **Define the straight-line method of depreciation.**
Answer: The straight-line method of depreciation is a method of allocating the cost of an asset uniformly over its useful life. It involves dividing the cost of the asset by its estimated useful life to arrive at an equal annual amount of depreciation.

3. **Explain the difference between the reducing balance method and the straight-line method of depreciation.**
Answer: The reducing balance method is an accelerated method of depreciation, where the asset's cost is depreciated at a higher rate in the early years of its life and gradually reduced in later years. The straight-line method is a uniform method of depreciation, where the asset's cost is depreciated at the same rate over its useful life.

4. **How does the double declining balance method work?**
Answer: The double declining balance method is an accelerated method of depreciation, where the asset's book value is multiplied by a fixed percentage, usually double the straight-line rate, to calculate the annual depreciation expense.

5. **What is the units-of-production method of depreciation?**
Answer: The units-of-production method of depreciation is based on the actual usage of the asset. It involves calculating the cost per unit of production and multiplying it by the actual number of units produced to arrive at the depreciation expense for the year.

6. **What is the difference between depreciation and amortization?**
Answer: Depreciation is the allocation of the cost of tangible fixed assets, while amortization is the allocation of the cost of intangible assets, such as patents, trademarks, and copyrights.

7. **What are the factors that affect the choice of depreciation method?**
Answer: The factors that affect the choice of depreciation method include the nature and use of the asset, its useful life, and the company's accounting policies.

8. **What is the salvage value of an asset, and how does it affect depreciation?**
Answer: The salvage value of an asset is the estimated value that the asset will have at the end of its useful life. It affects depreciation because it is subtracted from the asset's cost to determine the depreciable base.

9. **How is depreciation expense recorded in the financial statements?**
Answer: Depreciation expense is recorded on the income statement as a separate line item, and the accumulated depreciation is shown on the balance sheet as a deduction from the gross fixed assets.

10. **How does depreciation affect a company's taxable income?**
Answer: Depreciation reduces a company's taxable income, as it is deductible for tax purposes.

Lec 20 - Depreciation on Purchase and Disposal of Fixed Assets

1. **What is depreciation, and why is it charged on fixed assets?**
   Answer: Depreciation is the decrease in the value of fixed assets due to wear and tear, obsolescence, and aging. It is charged to spread the cost of the asset over its useful life.

2. **What is the straight-line method of depreciation, and how is it calculated?**
   Answer: The straight-line method charges a constant amount of depreciation over the useful life of the asset. It is calculated by dividing the cost of the asset by its useful life.

3. **What is the reducing balance method of depreciation, and how is it calculated?**
   Answer: The reducing balance method charges a higher amount of depreciation in the early years of the asset's life, and then reduces the amount as the asset gets older. It is calculated by applying a fixed rate to the net book value of the asset.

4. **What is the double-declining balance method of depreciation, and how is it calculated?**
   Answer: The double-declining balance method charges a higher rate of depreciation in the early years of the asset's life, and then reduces the rate as the asset gets older. It is calculated by multiplying the net book value of the asset by a fixed rate.

5. **What is meant by salvage value, and how is it used in calculating depreciation?**
   Answer: Salvage value is the estimated value of the asset at the end of its useful life. It is used to calculate the depreciable value of the asset, which is the cost of the asset minus its salvage value.

6. **What is the effect of disposing of a fixed asset before the end of its useful life?**
   Answer: If a fixed asset is disposed of before the end of its useful life, then any remaining balance of the asset's cost that has not yet been depreciated must be written off as an expense in the period of disposal.

7. **How is depreciation calculated when a fixed asset is acquired partway through an accounting period?**
   Answer: Depreciation is calculated based on the number of months the asset is owned during the accounting period. The annual depreciation charge is prorated for the number of months owned.

8. **What is the difference between capital expenditure and revenue expenditure, and how does it affect the depreciation of fixed assets?**
   Answer: Capital expenditure is an expenditure that creates a new asset or extends the useful life of an existing asset, while revenue expenditure is an expense that is incurred to maintain or operate an existing asset. Only capital expenditure is eligible for depreciation.

9. **How is the disposal of a fixed asset recorded in the accounting records?**
   Answer: The disposal of a fixed asset is recorded by debiting the accumulated depreciation account for the asset and crediting the asset account for its cost. Any proceeds received from the disposal are credited to a gain or loss account.

10. **How does the choice of depreciation method affect the amount of depreciation charged to fixed assets?**
    Answer: The choice of depreciation method affects the amount of depreciation charged to fixed assets by changing the amount charged in each accounting period. Different methods result in different patterns of depreciation charges over the useful life of the asset.

Lec 21 - Revaluation of Fixed Assets

1. **What is meant by the revaluation of fixed assets?**
   Answer: Revaluation of fixed assets refers to the process of updating the value of a company's fixed assets to their current market value.

2. **What are the reasons for revaluation of fixed assets?**
   Answer: The reasons for revaluation of fixed assets are the increase in the market value of fixed assets, the change in their useful life, or the significant improvement in their condition.

3. **How is the revaluation reserve calculated?**
   Answer: The revaluation reserve is calculated by taking the difference between the current market value of the fixed asset and its original book value, and recording this difference in a separate reserve account.

4. **What is the journal entry for revaluation of fixed assets?**
   Answer: The journal entry for revaluation of fixed assets includes debiting the asset account and crediting the revaluation reserve account.

5. **What is the impact of revaluation of fixed assets on the financial statements?**
   Answer: The revaluation of fixed assets impacts the balance sheet by increasing the value of fixed assets and the revaluation reserve. It also affects the income statement through the depreciation charge.

6. **What is the effect of revaluation of fixed assets on tax liabilities?**
   Answer: The revaluation of fixed assets can result in an increase in the tax liabilities of the company as it increases the value of fixed assets and the corresponding depreciation charge.

7. **How often should fixed assets be revalued?**
   Answer: The frequency of revaluation of fixed assets depends on the company's accounting policy and the type of asset. Generally, it is revalued once in every three to five years.

8. **What are the advantages of revaluation of fixed assets?**
   Answer: The advantages of revaluation of fixed assets include reflecting the current market value of assets, enhancing the credibility of financial statements, and facilitating better decision-making.

9. **What are the limitations of revaluation of fixed assets?**
   Answer: The limitations of revaluation of fixed assets include the subjectivity of the valuation process, the possibility of overvaluing assets, and the impact of revaluation on tax liabilities.

10. **How can a company ensure the accuracy of the revaluation of fixed assets?**
    Answer: A company can ensure the accuracy of the revaluation of fixed assets by engaging a professional valuer, following the appropriate accounting standards, and maintaining proper documentation.

Lec 22 - Bank Reconciliation Statement

1. **What is a Bank Reconciliation Statement?**
   Ans: A Bank Reconciliation Statement is a statement that reconciles the balance of cash book (bank column) with the balance of bank statement.

2. **What are the reasons for the difference in the balances of the cash book and bank statement?**
   Ans: The reasons for the difference in the balances of the cash book and bank statement are:

   Outstanding cheques
   Deposits in transit
   Bank charges and interest
   Error in recording transactions

3. **What are the steps involved in preparing a bank reconciliation statement?**
   Ans: The steps involved in preparing a bank reconciliation statement are:

   Compare the bank statement with the cash book
   Tick off the items that appear in both statements
   Note the items that appear in the bank statement but not in the cash book (additions)
   Note the items that appear in the cash book but not in the bank statement (deductions)
   Adjust the cash book balance to reconcile with the bank statement balance
   Prepare the bank reconciliation statement

4. **What is a dishonored cheque?**
   Ans: A dishonored cheque is a cheque that is returned by the bank due to insufficient funds or other reasons.

5. **What is a bank overdraft?**
   Ans: A bank overdraft is a facility provided by the bank to its customers to withdraw more money than the balance available in their bank account.

6. **What is a debit memo in a bank statement?**
   Ans: A debit memo is a transaction in which the bank has deducted an amount from the customer's account, such as bank charges or interest.

7. **What is a credit memo in a bank statement?**
   Ans: A credit memo is a transaction in which the bank has credited an amount to the customer's account, such as interest earned on the account.

8. **How does a bank reconciliation statement help in detecting errors?**
   Ans: A bank reconciliation statement helps in detecting errors by comparing the cash book balance with the bank statement balance and noting the items that appear in one statement but not in the other.

9. **What is the importance of preparing a bank reconciliation statement?**
   Ans: The importance of preparing a bank reconciliation statement is to ensure that the balance in the cash book (bank column) matches the balance in the bank statement. It helps in detecting errors, reconciling the bank statement balance, and ensuring the accuracy of financial records.

10. **What are the precautions that should be taken while preparing a bank reconciliation statement?**
Ans: The precautions that should be taken while preparing a bank reconciliation statement are:

Ensure that all transactions are recorded in the cash book and bank statement
Check for any errors in recording transactions
Ensure that all items are correctly ticked off and noted in the bank reconciliation statement
Verify the accuracy of the final balance in the cash book (bank column) and the bank statement.