

1 Lecture - MGT101

Important Subjective

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.