

3 Lecture - MGT101

Important Mcqs

1. **What is the primary purpose of accounting?**

- a) To maximize profits
- b) To maintain accurate financial records
- c) To minimize expenses
- d) To reduce tax liability

Answer: b) To maintain accurate financial records

2. **What is the difference between cash basis accounting and accrual basis accounting?**

- a) Cash basis accounting records transactions as they occur, while accrual basis accounting records transactions when payment is received.
- b) Cash basis accounting records transactions when payment is received, while accrual basis accounting records transactions as they occur.
- c) Cash basis accounting is used by small businesses, while accrual basis accounting is used by large corporations.
- d) Cash basis accounting is only used for tax purposes, while accrual basis accounting is used for financial reporting.

Answer: b) Cash basis accounting records transactions when payment is received, while accrual basis accounting records transactions as they occur.

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

- a) Something a business owes
- b) Something a business owns
- c) A business's profits
- d) A business's expenses

Answer: b) Something a business owns

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

- a) Something a business owes
- b) Something a business owns
- c) A business's profits
- d) A business's expenses

Answer: a) Something a business owes

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

- a) The amount of money a business owes to its creditors
- b) The amount of money a business owes to its shareholders
- c) The value of a business's assets minus its liabilities
- d) The value of a business's assets plus its liabilities

Answer: c) The value of a business's assets minus its liabilities

6. **What is revenue in accounting?**

- a) The money a business owes to its creditors
- b) The money a business owes to its shareholders
- c) The amount of money a business earns from its sales

d) The amount of money a business spends on its expenses

Answer: c) The amount of money a business earns from its sales

7. **What are expenses in accounting?**

a) The amount of money a business earns from its sales

b) The amount of money a business spends on its assets

c) The amount of money a business owes to its creditors

d) The amount of money a business spends on its operations

Answer: d) The amount of money a business spends on its operations

8. **What is profit in accounting?**

a) The difference between revenue and expenses

b) The value of a business's assets minus its liabilities

c) The amount of money a business owes to its creditors

d) The amount of money a business owes to its shareholders

Answer: a) The difference between revenue and expenses

9. **Which accounting system is commonly used for financial reporting?**

a) Cash basis accounting

b) Accrual basis accounting

c) Hybrid accounting

d) None of the above

Answer: b) Accrual basis accounting

10. **What is the purpose of the chart of accounts in accounting?**

a) To list a business's liabilities

b) To list a business's expenses

c) To list a business's assets

d) To categorize a business's financial transactions

Answer: d) To categorize a business's financial transactions