

# 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**