# 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