

3 Lecture - MGT101

Important Subjective

- 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: $\text{Assets} = \text{Liabilities} + \text{Equity}$. 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.