

5 Lecture - MGT101

Important Subjective

1. **What is the purpose of classifying accounts?**

Answer: The purpose of classifying accounts is to group and categorize accounts based on their nature and purpose, making it easier to create accurate financial statements and analyze a company's financial performance.

2. **What are the five main categories of accounts?**

Answer: The five main categories of accounts are assets, liabilities, equity, income, and expenses.

3. **What are assets?**

Answer: Assets are resources owned by a company that have monetary value and can be used to generate revenue.

4. **What are liabilities?**

Answer: Liabilities are obligations owed by a company to creditors and other parties.

5. **What is equity?**

Answer: Equity represents the amount of money invested by the owners of a company and the value of the company's assets after deducting its liabilities.

6. **What is income?**

Answer: Income represents the money earned by a company through the sale of goods or services.

7. **What are expenses?**

Answer: Expenses represent the costs incurred by a company in order to generate revenue.

8. **What is the difference between assets and liabilities?**

Answer: Assets represent resources owned by a company, while liabilities represent obligations owed by a company.

9. **What is the difference between equity and liabilities?**

Answer: Equity represents the amount of money invested by the owners of a company and the value of the company's assets after deducting its liabilities, while liabilities represent obligations owed by a company.

10. **Why is the classification of accounts important in accounting?**

Answer: The classification of accounts is important in accounting because it provides a clear understanding of a company's financial position and helps in creating accurate financial statements and analyzing the financial performance of a business.