

9 Lecture - MGT101

Important Subjective

1. **What are the three types of financial statements?**

Answer: The three types of financial statements are the income statement, balance sheet, and cash flow statement.

2. **What is the purpose of the income statement?**

Answer: The purpose of the income statement is to show a company's revenues and expenses over a period of time and calculate its net income.

3. **What is the accounting equation?**

Answer: The accounting equation is $\text{Assets} = \text{Liabilities} + \text{Equity}$.

4. **What is the purpose of the balance sheet?**

Answer: The purpose of the balance sheet is to show a company's assets, liabilities, and equity at a specific point in time.

5. **What is the statement of cash flows?**

Answer: The statement of cash flows is a financial statement that shows how much cash a company generated or used during a period.

6. **What is the purpose of the statement of retained earnings?**

Answer: The purpose of the statement of retained earnings is to show how a company's retained earnings changed over a period.

7. **What is net income?**

Answer: Net income is the amount of money a company earned after deducting all of its expenses from its revenues.

8. **What is the difference between accounts payable and accounts receivable?**

Answer: Accounts payable is money owed by a company to its creditors, while accounts receivable is money owed to a company by its customers.

9. **What is the difference between long-term and short-term assets?**

Answer: Long-term assets are expected to provide benefits for more than one year, while short-term assets are expected to provide benefits for less than one year.

10. **What is the difference between long-term and short-term liabilities?**

Answer: Long-term liabilities are due in more than one year, while short-term liabilities are due within one year.