

10 Lecture - MGT101

Important Mcqs

1. **Which of the following accounts is classified as an asset?**

- a. Accounts payable
- b. Common stock
- c. Inventory
- d. Retained earnings

Answer: c. Inventory

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

- a. $\text{Assets} = \text{Liabilities} - \text{Equity}$
- b. $\text{Assets} - \text{Liabilities} = \text{Equity}$
- c. $\text{Assets} + \text{Liabilities} = \text{Equity}$
- d. $\text{Assets} = \text{Liabilities} + \text{Equity}$

Answer: d. Assets = Liabilities + Equity

3. **Which of the following accounts increases with a debit?**

- a. Accounts payable
- b. Common stock
- c. Sales revenue
- d. Rent expense

Answer: d. Rent expense

4. **What is the normal balance for liabilities?**

- a. Debit
- b. Credit
- c. Neither debit nor credit
- d. Both debit and credit

Answer: b. Credit

5. **Which of the following transactions would decrease assets and decrease liabilities?**

- a. Payment of accounts payable
- b. Purchase of inventory on credit
- c. Sale of goods on credit
- d. Receipt of cash from a customer

Answer: a. Payment of accounts payable

6. **Which of the following financial statements shows the net income of a company?**

- a. Balance sheet
- b. Income statement
- c. Statement of retained earnings
- d. Statement of cash flows

Answer: b. Income statement

7. **Which of the following accounts is classified as a liability?**

- a. Accounts receivable

- b. Prepaid rent
- c. Notes payable
- d. Supplies expense

Answer: c. Notes payable

8. **Which of the following transactions would increase both assets and liabilities?**

- a. Purchase of equipment with cash
- b. Sale of goods on credit
- c. Borrowing money from a bank
- d. Payment of accounts payable

Answer: c. Borrowing money from a bank

9. **What is the normal balance for equity accounts?**

- a. Debit
- b. Credit
- c. Neither debit nor credit
- d. Both debit and credit

Answer: b. Credit

10. **Which of the following financial statements shows a company's cash flows from operating, investing, and financing activities?**

- a. Balance sheet
- b. Income statement
- c. Statement of retained earnings
- d. Statement of cash flows

Answer: d. Statement of cash flows