11 Lecture - MGT101

Important Subjective

1. What is the purpose of adjusting entries in accounting?

Answer: Adjusting entries are made to update account balances and ensure that the financial statements accurately reflect the company's financial position and performance.

2. What is a reversing entry and when is it used?

Answer: A reversing entry is an optional entry made at the beginning of a new accounting period to reverse the effects of a previous adjusting entry.

3. What is the purpose of closing entries in accounting?

Answer: Closing entries are made to transfer net income or loss to the retained earnings account and close temporary accounts in preparation for the next accounting period.

4. What is the difference between a general journal and a specialized journal?

Answer: A general journal is used to record transactions that do not fit into a specialized journal, while specialized journals are used to simplify the recording process for certain types of transactions.

5. What is the purpose of a trial balance?

Answer: The purpose of a trial balance is to ensure that the accounting system remains in balance and to identify any errors in the recording process.

6. What is the purpose of the sales journal?

Answer: The sales journal is used to record credit sales.

7. What is the purpose of the purchases journal?

Answer: The purchases journal is used to record credit purchases.

8. What is the difference between accrued expenses and prepaid expenses?

Answer: Accrued expenses are expenses that have been incurred but not yet paid, while prepaid expenses are expenses that have been paid in advance.

9. What is the difference between depreciation expense and accumulated depreciation?

Answer: Depreciation expense is the amount of a long-term asset's cost that is expensed during a specific period, while accumulated depreciation is the total amount of depreciation that has been recorded for a long-term asset over its useful life.

10. What is the purpose of the post-closing trial balance?

Answer: The purpose of the post-closing trial balance is to ensure that the accounting system remains in balance after all closing entries have been made.