12 Lecture - MGT101

Important Mcqs

1. What is the accounting equation?

- A. Assets = Liabilities + Equity
- B. Liabilities = Assets + Equity
- C. Equity = Assets Liabilities
- D. None of the above

Answer: A

2. What is the relationship between assets and equity in the accounting equation?

- A. They are equal
- B. Equity is greater than assets
- C. Assets are greater than equity
- D. None of the above

Answer: A

3. Which of the following is an example of an asset?

- A. Accounts payable
- B. Inventory
- C. Retained earnings
- D. Common stock

Answer: B

4. Which of the following is an example of a liability?

- A. Accounts receivable
- B. Equipment
- C. Long-term debt
- D. Prepaid rent

Answer: C

5. What happens to equity when a company incurs a loss?

- A. Equity decreases
- B. Equity increases
- C. Equity remains the same
- D. It depends on the amount of the loss

Answer: A

6. Which of the following is an example of an owner's equity account?

- A. Accounts payable
- B. Common stock

- C. Rent expense
- D. Salaries payable

Answer: B

7. What happens to the accounting equation when a company borrows money from a bank?

- A. Assets increase and liabilities increase
- B. Assets increase and equity increases
- C. Liabilities increase and equity increases
- D. None of the above

Answer: A

8. What happens to the accounting equation when a company pays cash for an expense?

- A. Assets increase and liabilities increase
- B. Assets decrease and liabilities decrease
- C. Assets decrease and equity decreases
- D. None of the above

Answer: C

9. What is the purpose of the accounting equation?

- A. To ensure that accounting records remain in balance
- B. To calculate net income
- C. To determine the fair value of a company
- D. None of the above

Answer: A

10. Which of the following is an example of a contra account?

- A. Accounts payable
- B. Accumulated depreciation
- C. Rent expense
- D. Salaries payable

Answer: B