

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