14 Lecture - MGT101

Important Subjective

1. What is the purpose of posting to ledgers in accounting?

Answer: The purpose of posting to ledgers is to transfer transactional data from the journal to the appropriate ledger accounts, enabling a business to maintain accurate financial records.

2. What is the difference between accounts payable and accounts receivable?

Answer: Accounts payable are amounts owed by a business to its vendors or suppliers, while accounts receivable are amounts owed to a business by its customers.

3. What is the purpose of the perpetual inventory system?

Answer: The purpose of the perpetual inventory system is to maintain a real-time record of inventory movements, enabling a business to keep track of inventory levels and to determine the cost of goods sold.

4. How is the cost of goods sold calculated?

Answer: The cost of goods sold is calculated by adding the beginning inventory to the purchases made during the period and subtracting the ending inventory.

5. What is the purpose of the periodic inventory system?

Answer: The purpose of the periodic inventory system is to physically count inventory at the end of a specific period, enabling a business to determine the value of its inventory and to adjust its records accordingly.

6. How is the weighted average cost method used to value inventory?

Answer: The weighted average cost method involves calculating the average cost of inventory by dividing the total cost of goods available for sale by the total units available for sale.

7. What is the difference between FIFO and LIFO inventory valuation methods?

Answer: FIFO assumes that the first inventory items purchased are the first to be sold, while LIFO assumes that the last inventory items purchased are the first to be sold.

8. How is the cost of goods sold recorded in the ledger?

Answer: The cost of goods sold is recorded as a debit to the cost of goods sold account and a credit to the inventory account.

9. What is the purpose of the inventory turnover ratio?

Answer: The purpose of the inventory turnover ratio is to measure how many times a business sells and replaces its inventory during a specific period.

10. How is the value of ending inventory calculated using the LIFO method?

Answer: The value of ending inventory is calculated by multiplying the number of units in ending inventory by the cost per unit of the most recent inventory purchases.