

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.