24 Lecture - MGT101

Important Subjective

1. **What is the difference between debtors and creditors?**
Answer: Debtors are customers who owe money to a business, while creditors are suppliers who are owed money by a business.

2. **Why is it important for businesses to manage their debtors and creditors?**
Answer: Proper management of debtors and creditors helps to maintain a healthy cash flow, which is essential for the financial stability of a business.

3. **What are accruals in accounting?**
Answer: Accruals are expenses that have been incurred but not yet paid.

4. **How do accruals impact a business's financial statements?**
Answer: Accruals increase expenses and liabilities on a business's financial statements.

5. **What is a provision for bad debts?**
Answer: A provision for bad debts is a reserve set aside to cover potential losses from customers who may default on their payments.

6. **How does the provision for bad debts impact a business's financial statements?**
Answer: The provision for bad debts decreases the value of accounts receivable on a business's balance sheet.

7. **Why is it important for businesses to have a provision for bad debts?**
Answer: A provision for bad debts helps businesses to account for potential losses from customers who may default on their payments, which helps to maintain the financial stability of the business.

8. **How can businesses reduce the risk of bad debts?**
Answer: Businesses can reduce the risk of bad debts by performing credit checks on customers, setting credit limits, and implementing a collection policy.

9. **What is the journal entry to record a provision for bad debts?**
Answer: Debit provision for bad debts, credit bad debts expense.

10. **How can businesses improve their management of debtors and creditors?**
Answer: Businesses can improve their management of debtors and creditors by implementing a credit control system, negotiating payment terms with suppliers, and regularly reviewing their accounts receivable and accounts payable.