25 Lecture - MGT101

Important Mcqs

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

2. **How does a provision for bad debts impact a business's financial statements?**
a) It increases the value of accounts receivable on the balance sheet
b) It decreases the value of accounts receivable on the balance sheet
c) It has no impact on the value of accounts receivable on the balance sheet
Answer: b

3. **What are control accounts?**
a) Accounts that provide a summary of all transactions related to a particular category of accounts
b) Accounts that provide a summary of all transactions related to a particular invoice
c) Accounts that provide a summary of all transactions related to a particular supplier
Answer: a

4. **How can businesses use control accounts?**
a) To track and manage their accounts payable and accounts receivable
b) To track and manage their inventory
c) To track and manage their fixed assets
Answer: a

5. **What is the purpose of a control account?**
a) To provide a summary of all transactions related to a particular category of accounts
b) To provide detailed information about each individual transaction
c) To provide information about the financial performance of a business
Answer: a

6. **What is the journal entry to record a provision for bad debts?**
a) Debit bad debts expense, credit accounts payable
b) Debit accounts receivable, credit bad debts expense
c) Debit provision for bad debts, credit bad debts expense
Answer: c

7. **How can businesses reduce the risk of bad debts?**
a) By performing credit checks on customers
b) By increasing their credit limits for customers
c) By extending payment terms for customers

Answer: a

8. **What is the impact of a provision for bad debts on a business's income statement?**
   a) It increases net income
   b) It decreases net income
   c) It has no impact on net income
   Answer: b

9. **How can businesses determine the appropriate amount for a provision for bad debts?**
   a) By estimating the percentage of accounts receivable that may be uncollectible
   b) By calculating the total amount of accounts receivable
   c) By calculating the total amount of accounts payable
   Answer: a

10. **What is the purpose of a provision for bad debts?**
    a) To account for potential losses from customers who may default on their payments
    b) To account for potential profits from customers who may default on their payments
    c) To account for potential expenses from customers who may default on their payments
    Answer: a