

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