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