25 Lecture - MGT101

Important Subjective

1. **What is a control account?**
   Answer: A control account is an account that provides a summary of all transactions related to a particular category of accounts, such as accounts payable or accounts receivable.

2. **Why is it important for businesses to maintain a provision for bad debts?**
   Answer: Maintaining a provision for bad debts is important for businesses to account for potential losses from customers who may default on their payments and maintain financial stability.

3. **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.

4. **What is the purpose of a provision for bad debts in financial reporting?**
   Answer: The purpose of a provision for bad debts in financial reporting is to account for potential losses from customers who may default on their payments and reduce the impact of those losses on a business's financial statements.

5. **What is the journal entry to record a provision for bad debts?**
   Answer: The journal entry to record a provision for bad debts is to debit the provision for bad debts account and credit the bad debts expense account.

6. **What is the impact of a provision for bad debts on a business's balance sheet?**
   Answer: The impact of a provision for bad debts on a business's balance sheet is to decrease the value of accounts receivable.

7. **How can businesses use control accounts to manage their accounts payable?**
   Answer: Businesses can use control accounts to track and manage their accounts payable by recording all transactions related to accounts payable in the control account.

8. **How can businesses determine the appropriate amount for a provision for bad debts?**
   Answer: Businesses can determine the appropriate amount for a provision for bad debts by estimating the percentage of accounts receivable that may be uncollectible.

9. **What is the purpose of a control account?**
   Answer: The purpose of a control account is to provide a summary of all transactions related to a particular category of accounts and facilitate the management of those accounts.

10. **How can businesses use control accounts to manage their accounts receivable?**
    Answer: Businesses can use control accounts to track and manage their accounts receivable by recording all transactions related to accounts receivable in the control account.