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.