

29 Lecture - MGT101

Important Subjective

- 1. What is the purpose of presenting financial statements?**
Answer: The purpose of presenting financial statements is to provide stakeholders with information about an entity's financial performance and position, which is useful in decision-making.
- 2. What is the difference between the income statement and the balance sheet?**
Answer: The income statement shows the entity's revenues and expenses during a period, while the balance sheet reports the entity's financial position as of a specific date.
- 3. What is the significance of the notes to the financial statements?**
Answer: The notes to the financial statements provide additional information and explanations about the financial statements, which aid in understanding the financial performance and position of an entity.
- 4. What are the different types of financial statement analysis?**
Answer: The different types of financial statement analysis are vertical analysis, horizontal analysis, and ratio analysis.
- 5. What is the purpose of vertical analysis?**
Answer: The purpose of vertical analysis is to analyze the relationships between individual items on a financial statement and express them as a percentage of a base figure.
- 6. What is the purpose of horizontal analysis?**
Answer: The purpose of horizontal analysis is to analyze the trends in financial performance and position over a period.
- 7. What is the purpose of ratio analysis?**
Answer: The purpose of ratio analysis is to evaluate an entity's financial performance and position by analyzing the relationships between different financial statement items.
- 8. What is the significance of adhering to Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS)?**
Answer: Adhering to GAAP or IFRS ensures that financial statements are prepared in a consistent, transparent, and accurate manner, which helps in comparing financial information across entities.
- 9. What are the different sections of a cash flow statement?**
Answer: The different sections of a cash flow statement are operating activities, investing activities, and financing activities.
- 10. What is the purpose of the statement of changes in equity?**
Answer: The purpose of the statement of changes in equity is to report the changes in an entity's equity accounts during a period, which aids in understanding the entity's financial position.