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.