

30 Lecture - MGT101

Important Subjective

- 1. What are the four main financial statements? Briefly describe the purpose of each.**
Answer: The four main financial statements are the income statement (reports revenues and expenses during a period), balance sheet (reports an entity's financial position as of a specific date), statement of changes in equity (reports changes in equity accounts during a period), and cash flow statement (reports changes in an entity's cash and cash equivalents during a period).
- 2. What is the purpose of the notes to the financial statements?**
Answer: The purpose of the notes to the financial statements is to provide additional information and explanations about the financial statements.
- 3. What is the difference between GAAP and IFRS?**
Answer: GAAP (Generally Accepted Accounting Principles) is a set of accounting standards used primarily in the United States, while IFRS (International Financial Reporting Standards) is a set of global accounting standards used in over 140 countries. The main difference between the two is their geographic scope and application.
- 4. What is the significance of adhering to GAAP or IFRS in financial reporting?**
Answer: Adhering to GAAP or IFRS in financial reporting is significant as it ensures that financial statements are prepared in a consistent, transparent, and accurate manner.
- 5. What is the purpose of vertical analysis?**
Answer: The purpose of vertical analysis is to analyze relationships between items on a financial statement.
- 6. What is the purpose of ratio analysis?**
Answer: The purpose of ratio analysis is to evaluate an entity's financial performance and position.
- 7. What is the difference between horizontal and vertical analysis?**
Answer: Horizontal analysis involves analyzing financial trends over a period, while vertical analysis involves analyzing relationships between items on a financial statement.
- 8. What is the purpose of the income statement?**
Answer: The purpose of the income statement is to report an entity's revenues and expenses during a period.
- 9. What is the purpose of the balance sheet?**
Answer: The purpose of the balance sheet is to report an entity's financial position as of a specific date.
- 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 changes in equity accounts during a period.