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.

- 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.