

33 Lecture - MGT101

Important Subjective

1. **What are the three financial statements used in a manufacturing concern? Describe each one briefly.**

Answer: The three financial statements used in a manufacturing concern are the income statement, the balance sheet, and the statement of cash flows. The income statement shows the revenues, cost of goods sold, and operating expenses of the business for a period of time. The balance sheet shows the assets, liabilities, and equity of the business at a specific point in time. The statement of cash flows shows the cash inflows and outflows of the business for a period of time.

2. **What is the purpose of the statement of cost of goods manufactured and sold in a manufacturing concern?**

Answer: The purpose of the statement of cost of goods manufactured and sold is to report the cost of goods manufactured during the period and the cost of goods sold during the same period.

3. **What are the three components of cost of goods sold in a manufacturing concern?**

Answer: The three components of cost of goods sold in a manufacturing concern are direct materials, direct labor, and manufacturing overhead.

4. **What is the difference between direct materials and indirect materials in a manufacturing concern?**

Answer: Direct materials are materials that are directly used in the production of goods, while indirect materials are materials that are used in the production process but do not become part of the finished product.

5. **What is work-in-progress in a manufacturing concern?**

Answer: Work-in-progress in a manufacturing concern refers to goods that are partially completed and still in the production process.

6. **What is the purpose of the inventory turnover ratio in a manufacturing concern?**

Answer: The purpose of the inventory turnover ratio is to measure how quickly a manufacturing concern is able to sell its inventory.

7. **What is the difference between gross profit and net income in a manufacturing concern?**

Answer: Gross profit is the profit a manufacturing concern makes after deducting the cost of goods sold from its revenue, while net income is the profit a manufacturing concern makes after deducting all of its expenses from its revenue.

8. **What is the purpose of the statement of cash flows in a manufacturing concern?**

Answer: The purpose of the statement of cash flows in a manufacturing concern is to show the cash inflows and outflows of the business over a period of time.

9. **How is the cost of goods sold calculated in a manufacturing concern?**

Answer: The cost of goods sold in a manufacturing concern is calculated by adding the direct materials used, direct labor, and manufacturing overhead incurred during the production

process.

10. **What is the purpose of the balance sheet in a manufacturing concern?**

Answer: The purpose of the balance sheet in a manufacturing concern is to show the assets, liabilities, and equity of the business at a specific point in time.