# 38 Lecture - MGT101

## **Important Subjective**

### 1. What is the purpose of financial statements in a limited company?

Answer: The purpose of financial statements in a limited company is to provide transparency about the company's financial health and to assist in making informed decisions.

### 2. What is a balance sheet, and what information does it provide?

Answer: A balance sheet is a financial statement that reports a company's financial position at a specific point in time. It provides information about a company's assets, liabilities, and equity.

### 3. Explain the difference between a cash basis and accrual basis of accounting.

Answer: The cash basis of accounting records transactions when cash is received or paid, while the accrual basis records transactions when they occur, regardless of when cash is received or paid.

### 4. What is the purpose of the income statement, and what information does it provide?

Answer: The income statement reports a company's revenues, expenses, and net income or loss for a specific period, providing information about the company's profitability.

# 5. What is the purpose of the statement of cash flows, and what information does it provide ?

Answer: The statement of cash flows reports a company's cash inflows and outflows during a specific period, providing information about a company's liquidity.

### 6. What is the purpose of the notes to the financial statements?

Answer: The notes to the financial statements provide additional details and explanations about the company's financial statements.

### 7. What is the difference between current assets and long-term assets?

Answer: Current assets are assets that are expected to be converted into cash within one year, while long-term assets are expected to be held for longer than one year.

### 8. What is the purpose of the statement of changes in equity?

Answer: The statement of changes in equity reports the changes in a company's equity over a period of time, providing information about the company's financial performance.

### 9. What is the difference between a liability and an expense?

Answer: A liability is a debt or obligation that a company owes, while an expense is a cost incurred by the company in its operations.

# 10. What is the purpose of financial ratios, and how can they be used to evaluate a company's financial health?

Answer: Financial ratios are used to analyze a company's financial statements and provide insight into the company's financial health. They can be used to evaluate liquidity, profitability, solvency, and other aspects of a company's financial performance.