# 43 Lecture - MGT211

# **Important Subjective**

 What is meant by the term "double-entry accounting"? Answer: Double-entry accounting is a system of bookkeeping in which every transaction is recorded in at least two different accounts, which helps ensure accuracy and completeness of financial records.

#### 2. Explain the purpose of an income statement.

Answer: An income statement is used to show the revenue and expenses of a company over a specific period of time, typically a month or a year. Its purpose is to provide an overview of the company's profitability and financial performance during that period.

3. What is the difference between accounts payable and accounts receivable? Answer: Accounts payable are amounts owed by a company to its vendors or suppliers for goods or services that have been received but not yet paid for. Accounts receivable, on the other hand, are amounts owed to a company by its customers for goods or services that have been delivered but not yet paid for.

#### 4. What is the purpose of the balance sheet?

Answer: The purpose of the balance sheet is to provide a snapshot of a company's financial position at a specific point in time. It lists the company's assets, liabilities, and equity, and shows the relationship between them.

#### 5. Explain the concept of depreciation.

Answer: Depreciation is a method of allocating the cost of a long-term asset over its useful life. It is used to reflect the decline in value of the asset over time, and to spread out the cost of the asset over its useful life for accounting and tax purposes.

#### 6. What is the difference between a general ledger and a subsidiary ledger?

Answer: A general ledger is the main accounting record for a company, where all transactions are recorded and summarized into specific accounts. A subsidiary ledger is a separate record for a specific type of account, such as accounts payable or accounts receivable, which provides more detail on individual transactions.

#### 7. What is a trial balance and what is its purpose?

Answer: A trial balance is a list of all the accounts in the general ledger with their balances, used to verify that the total debits and credits are equal. Its purpose is to identify errors or discrepancies in the accounting records before the financial statements are prepared.

#### 8. What is the difference between cash accounting and accrual accounting?

Answer: Cash accounting records transactions when cash is received or paid out, while accrual accounting records transactions when they occur, regardless of when the cash is received or paid out. Accrual accounting provides a more accurate picture of a company's financial performance over a specific period of time.

### 9. Explain the purpose of the statement of cash flows.

Answer: The purpose of the statement of cash flows is to provide information about a company's

cash inflows and outflows over a specific period of time, typically a month or a year. It shows how the company generates and uses cash, and is used to assess a company's liquidity and financial health.

## 10. What is the difference between a debit and a credit in accounting?

Answer: In accounting, a debit is an entry on the left side of an account, representing an increase in assets or a decrease in liabilities or equity. A credit is an entry on the right side of an account, representing an increase in liabilities or equity, or a decrease in assets.