13 Lecture - MGT401

Important Subjective

1. **What is the definition of current assets as per the Fourth Schedule of the Companies Ordinance 1984?**
   Answer: Current assets are assets that are expected to be converted into cash within one year or the normal operating cycle of the business, whichever is longer.

2. **Why is it important for companies to present current assets separately on the balance sheet?**
   Answer: Presenting current assets separately on the balance sheet allows for easier analysis and decision-making regarding a company's short-term liquidity and ability to meet its obligations.

3. **How are current assets classified on the balance sheet according to the Fourth Schedule of the Companies Ordinance 1984?**
   Answer: Current assets are classified on the balance sheet in order of liquidity, with the most liquid assets presented first.

4. **What are examples of cash equivalents as per the Fourth Schedule of the Companies Ordinance 1984?**
   Answer: Examples of cash equivalents include money market funds, treasury bills, and commercial paper.

5. **What is the purpose of disclosing significant estimates or judgments made in determining the value of current assets?**
   Answer: Disclosing significant estimates or judgments helps to ensure the accuracy and reliability of a company's financial statements.

6. **How does the classification of assets as current or non-current impact a company's financial statements?**
   Answer: The classification of assets as current or non-current impacts a company's liquidity ratios, working capital, and financial stability.

7. **What are the limitations of using the Fourth Schedule of the Companies Ordinance 1984 to classify current assets?**
   Answer: The Fourth Schedule of the Companies Ordinance 1984 provides a general guideline for classifying current assets, but may not be suitable for all industries or business models.

8. **What is the impact of inventory valuation methods on the value of current assets?**
   Answer: Different inventory valuation methods can result in different values for inventory, which can impact the total value of current assets.

9. **Why is it important for companies to accurately report their current assets on their financial statements?**
   Answer: Accurate reporting of current assets is necessary for investors, creditors, and other stakeholders to make informed decisions about a company's financial health and future prospects.

10. **How can a company improve its management of current assets?**
Answer: A company can improve its management of current assets by implementing effective inventory management systems, improving cash flow management, and reducing the average collection period for accounts receivable.