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.