36 Lecture - MGT401

Important Subjective

1. **What is the Statement of Changes in Equity, and what information does it provide?**
   Answer: The Statement of Changes in Equity is a financial statement that reports the changes in a company's equity over a reporting period. It provides information on the movement in share capital, reserves, and retained earnings.

2. **What is an accounting policy, and why is it important to disclose it in financial statements?**
   Answer: An accounting policy is a set of guidelines that a company follows when preparing its financial statements. It is important to disclose accounting policies in financial statements so that investors and other stakeholders can understand how the company prepares its financial statements.

3. **What is the difference between a change in accounting estimate and a correction of an error in accounting?**
   Answer: A change in accounting estimate is a change in the accounting treatment of a transaction or event that was previously accounted for, while a correction of an error in accounting is a retrospective restatement of previously reported financial information.

4. **What is the impact of a change in accounting estimate on financial statements?**
   Answer: A change in accounting estimate can impact the financial statements by changing the amounts reported for prior periods, as well as the current period.

5. **How are changes in accounting policies accounted for in financial statements?**
   Answer: Changes in accounting policies are accounted for retrospectively, which means that prior period financial statements are restated to reflect the new policy.

6. **What is a prior period error, and how is it corrected in financial statements?**
   Answer: A prior period error is an error made in a previous period's financial statements. It is corrected by restating the prior period financial statements to reflect the correction.

7. **What is the difference between an error in accounting and a fraud in accounting?**
   Answer: An error in accounting is an unintentional mistake made in the preparation of financial statements, while a fraud in accounting is an intentional misrepresentation of financial information.

8. **What is the purpose of the Statement of Accounting Policies in financial statements?**
   Answer: The purpose of the Statement of Accounting Policies is to disclose the accounting policies adopted by a company in the preparation of its financial statements.

9. **What are the criteria for changing an accounting estimate?**
   Answer: A change in accounting estimate is made when new information becomes available or when a company revises its assumptions or estimates. The criteria for changing an estimate are that the new estimate must be based on new information or new assumptions and must be a more accurate reflection of the current circumstances.

10. **How are changes in accounting estimates disclosed in financial statements?**
Answer: Changes in accounting estimates are disclosed in the notes to the financial statements, along with an explanation of the reasons for the change and the impact on the financial statements.