37 Lecture - MGT401

Important Subjective

1. **What is the purpose of IAS 8?**
   Answer: IAS 8 is used to provide guidelines to entities to apply accounting policies consistently and to deal with changes in accounting policies, accounting errors, and the correction of errors in financial statements.
2. **What is an accounting policy?**
   Answer: An accounting policy is a set of principles, procedures, and rules adopted by an entity in preparing and presenting financial statements.
3. **What is a retrospective adjustment?**
   Answer: A retrospective adjustment is a correction of an error in previously issued financial statements, which requires the restatement of prior period financial statements.
4. **What is the difference between a change in accounting policy and a change in accounting estimate?**
   Answer: A change in accounting policy refers to a change in the principles, basis, or method of accounting used by an entity, whereas a change in accounting estimate refers to a change in the estimation technique, or the assumption used in calculating an accounting value.
5. **How is the effect of a change in accounting policy reflected in financial statements?**
   Answer: A change in accounting policy is applied retrospectively unless impractical, and the impact of the change is reflected in the opening balance of retained earnings of the earliest period presented.
6. **What is a cash flow statement?**
   Answer: A cash flow statement is a financial statement that provides information about the cash inflows and outflows of an entity during a specific period.
7. **What is the purpose of a cash flow statement?**
   Answer: The purpose of a cash flow statement is to provide information about an entity's liquidity, solvency, and financial flexibility.
8. **What is a cash equivalent?**
   Answer: A cash equivalent is a short-term, highly liquid investment that is readily convertible into cash, and which carries an insignificant risk of changes in value.
9. **What is the difference between an operating activity and an investing activity?**
   Answer: An operating activity is a cash inflow or outflow that results from an entity's core business operations, whereas an investing activity is a cash inflow or outflow that results from the acquisition or disposal of long-term assets.
10. **What is the purpose of disclosing non-cash transactions in the cash flow statement?**
    Answer: The purpose of disclosing non-cash transactions in the cash flow statement is to provide information about significant investing and financing activities that did not involve the exchange of cash.