Basic Accounting Interview Questions and Answers:

1. **What is accounting?**
   Answer: Accounting is the process of recording, classifying, summarizing, and interpreting financial transactions to provide useful information for decision-making.
2. **What is the accounting equation?**
   Answer: The accounting equation is: Assets = Liabilities + Equity.
3. **What is double-entry bookkeeping?**
   Answer: It is an accounting system where each transaction affects at least two accounts, one debit, and one credit, ensuring the accounting equation stays balanced.
4. **What are the different types of accounts?**
   Answer: The three types are Personal, Real, and Nominal accounts.
5. **What is accrual accounting?**
   Answer: Accrual accounting records revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid.
6. **What is a trial balance?**
   Answer: A trial balance is a list of all ledger accounts and their balances at a particular time, used to check the accuracy of bookkeeping.
7. **What is depreciation?**
   Answer: Depreciation is the allocation of the cost of a tangible fixed asset over its useful life.
8. **What are the different methods of depreciation?**
   Answer: Common methods include the straight-line method, declining balance method, and units of production method.
9. **What is a balance sheet?**
   Answer: A balance sheet is a financial statement showing a company's assets, liabilities, and equity at a specific point in time.
10. **What is an income statement?**
    Answer: An income statement shows a company's revenues, expenses, and profits over a specific period.
11. **What is the difference between accounts receivable and accounts payable?**
    Answer: Accounts receivable is the money owed to a company by its customers, while accounts payable is the money a company owes to its suppliers.
12. **What is a journal entry?**
    Answer: A journal entry is a record of a financial transaction in the accounting system, showing debit and credit accounts.
13. **What is a ledger?**
    Answer: A ledger is a book or digital record where all financial transactions are categorized by account.
14. **What is a cash flow statement?**
    Answer: A cash flow statement reports the cash inflows and outflows during a specific period, categorized into operating, investing, and financing activities.

15. **What is working capital?**
    Answer: Working capital is the difference between a company's current assets and current liabilities, indicating short-term financial health.
16. **What is goodwill?**
    Answer: Goodwill is an intangible asset representing the excess value paid over the fair market value of a company's net assets during an acquisition.
17. **What is a contingent liability?**
    Answer: A contingent liability is a potential liability that may occur depending on the outcome of a future event.
18. **What is the purpose of financial statements?**
    Answer: Financial statements provide information about a company's financial performance and position to stakeholders for decision-making purposes.
19. **What are prepaid expenses?**
    Answer: Prepaid expenses are payments made for goods or services to be received in the future, recorded as an asset until used.
20. **What is revenue recognition?**
    Answer: Revenue recognition is the principle that revenue is recorded when it is earned, regardless of when the payment is received.
21. **What is a trial balance used for?**
    Answer: A trial balance is used to ensure that total debits equal total credits, indicating that the books are balanced.
22. **What is the matching principle in accounting?**
    Answer: The matching principle requires that expenses be matched with the revenues they help to generate during the same accounting period.
23. **What is retained earnings?**
    Answer: Retained earnings are the accumulated profits of a company that have not been distributed to shareholders as dividends.
24. **What is a deferred expense?**
    Answer: A deferred expense is a cost that has been incurred but will be recognized as an expense in future periods.
25. **What is the difference between accrual and cash accounting?**
    Answer: Accrual accounting records income and expenses when they are earned or incurred, while cash accounting records them when cash is received or paid.
26. **What are adjusting entries?**
    Answer: Adjusting entries are journal entries made at the end of an accounting period to allocate income and expenses to the correct period.
27. **What is the difference between gross and net income?**
    Answer: Gross income is the total revenue minus the cost of goods sold, while net income is the profit after all expenses, including taxes and interest, have been deducted.
28. **What is a fiscal year?**
    Answer: A fiscal year is a 12-month period used for accounting purposes, which may or may not align with the calendar year.

29. **What is the difference between tangible and intangible assets?**
Answer: Tangible assets have a physical form (e.g., machinery), while intangible assets do not (e.g., patents, trademarks).
30. **What is inventory valuation?**
Answer: Inventory valuation is the method used to assign value to a company's inventory, such as FIFO (First-In-First-Out) or LIFO (Last-In-First-Out).

Intermediate Accounting Interview Questions and Answers:

31. **What is a bank reconciliation?**
Answer: A bank reconciliation is the process of matching the balances in a company's accounting records with the corresponding information on a bank statement.
32. **What is the difference between capital and revenue expenditures?**
Answer: Capital expenditures are for acquiring or upgrading fixed assets, while revenue expenditures are for day-to-day operating costs.
33. **What are financial ratios?**
Answer: Financial ratios are calculations using financial statement figures to evaluate a company's performance, liquidity, profitability, and solvency.
34. **What is EBIT?**
Answer: EBIT stands for Earnings Before Interest and Taxes, which measures a company's profitability from its core operations.
35. **What is EBITDA?**
Answer: EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization, a common measure of a company's operational performance.
36. **What is a contra account?**
Answer: A contra account is an account used to reduce the value of a related account. For example, accumulated depreciation is a contra asset account that reduces the value of fixed assets.
37. **What is a trial balance error?**
Answer: A trial balance error occurs when the total debits and credits do not match, often due to omissions, misclassifications, or incorrect entries.
38. **What is the difference between liquidity and solvency?**
Answer: Liquidity refers to a company's ability to meet short-term obligations, while solvency refers to its ability to meet long-term obligations.
39. **What is the going concern assumption?**
Answer: The going concern assumption assumes that a company will continue its operations into the foreseeable future without the need to liquidate.
40. **What are accrued expenses?**
Answer: Accrued expenses are expenses that have been incurred but not yet paid or recorded at the end of the accounting period.
41. **What is a liability?**
Answer: A liability is an obligation arising from past transactions or events that the company must settle in the future, usually through payment of cash or goods.

42. **What is the difference between current and non-current liabilities?**
    Answer: Current liabilities are obligations due within one year, while non-current liabilities are due after more than one year.
43. **What is capital structure?**
    Answer: Capital structure is the mix of debt and equity that a company uses to finance its operations and growth.
44. **What is the purpose of a statement of changes in equity?**
    Answer: It shows the changes in a company's equity, such as retained earnings and share capital, over a period.
45. **What is a budget?**
    Answer: A budget is a financial plan that estimates future income and expenses for a specific period.
46. **What is variance analysis?**
    Answer: Variance analysis is the process of analyzing the differences between actual and budgeted figures and investigating the reasons for the variances.
47. **What is the accruals concept?**
    Answer: The accruals concept states that income and expenses should be recorded when they are earned or incurred, not when the cash is exchanged.
48. **What are retained earnings?**
    Answer: Retained earnings are the accumulated profits a company has kept over time, after paying dividends to shareholders.
49. **What is the concept of conservatism in accounting?**
    Answer: Conservatism is an accounting principle that requires recording expenses and liabilities as soon as possible but only recording revenues when they are assured.
50. **What is a classified balance sheet?**
    Answer: A classified balance sheet categorizes assets, liabilities, and equity into subcategories such as current and non-current.

Advanced Accounting Interview Questions and Answers:

51. **What is consolidation in accounting?**
    Answer: Consolidation is the process of combining the financial statements of a parent company and its subsidiaries into one unified set of statements.
52. **What are intercompany transactions, and how are they eliminated in consolidation?**
    Answer: Intercompany transactions are financial activities between two entities within the same corporate group. They are eliminated during consolidation to prevent double-counting.
53. **What is goodwill impairment?**
    Answer: Goodwill impairment occurs when the carrying value of goodwill exceeds its fair market value, requiring a write-down on the financial statements.
54. **How is deferred tax calculated?**
    Answer: Deferred tax is calculated based on the differences between the book value of

assets or liabilities in the financial statements and their tax value, multiplied by the applicable tax rate.

55. **What are the key differences between GAAP and IFRS?**
    Answer: GAAP is rule-based, while IFRS is principle-based. IFRS allows revaluation of fixed assets, while GAAP does not, among other differences in inventory accounting, revenue recognition, and financial statement formats.
56. **What is minority interest, and where is it recorded?**
    Answer: Minority interest represents the portion of equity ownership in a subsidiary not owned by the parent company. It is recorded under the equity section of the consolidated balance sheet.
57. **How do you account for a lease under IFRS 16?**
    Answer: Under IFRS 16, most leases are capitalized on the balance sheet, with the lessee recognizing a right-of-use asset and a corresponding lease liability.
58. **What is a hedge in accounting, and how is it accounted for?**
    Answer: A hedge is a financial strategy used to reduce the risk of adverse price movements in an asset. Hedge accounting adjusts the timing of the recognition of gains or losses on the hedged item and the hedging instrument.
59. **What is fair value accounting?**
    Answer: Fair value accounting is the practice of measuring assets and liabilities at their current market value, rather than their historical cost.
60. **What are the key steps in performing a financial audit?**
    Answer: The key steps include planning the audit, testing internal controls, performing substantive tests on account balances, and issuing an audit report.

Cost Accounting Interview Questions and Answers:

61. **What is cost accounting?**
    Answer: Cost accounting is a process of recording, classifying, and analyzing costs associated with a company's products or services to aid management decision-making.
62. **What are fixed and variable costs?**
    Answer: Fixed costs remain constant regardless of production levels, such as rent. Variable costs change in direct proportion to the level of production, such as raw materials.
63. **What is a break-even point?**
    Answer: The break-even point is the level of sales at which total revenue equals total costs, resulting in no profit or loss.
64. **What is activity-based costing (ABC)?**
    Answer: ABC is a costing method that assigns overhead and indirect costs to specific activities related to the production of goods or services.
65. **What is the difference between marginal costing and absorption costing?**
    Answer: Marginal costing considers only variable costs in product costing, while absorption costing includes both fixed and variable costs.

66. **How do you calculate cost of goods sold (COGS)?**
    Answer: COGS is calculated as: Beginning Inventory + Purchases during the period - Ending Inventory.
67. **What is a standard cost, and how is it used in variance analysis?**
    Answer: Standard cost is the predetermined cost of manufacturing a product. Variance analysis compares standard costs to actual costs to evaluate performance.
68. **What are the steps in preparing a cost sheet?**
    Answer: The steps include determining direct material costs, direct labor costs, direct expenses, and allocating overheads to determine the total cost of production.
69. **What is a job costing system?**
    Answer: Job costing tracks the costs associated with individual jobs or projects, assigning costs to specific jobs based on direct labor, materials, and overhead.
70. **What is process costing?**
    Answer: Process costing is used when products are indistinguishable from one another and produced in continuous processes. Costs are averaged over all units.

Auditing Interview Questions and Answers:

71. **What is the difference between internal and external auditing?**
    Answer: Internal auditing is conducted by employees within the organization to evaluate internal controls and operations. External auditing is performed by independent auditors to provide an opinion on the financial statements.
72. **What is materiality in auditing?**
    Answer: Materiality refers to the significance of financial information or misstatements that could influence the economic decisions of users of financial statements.
73. **What is an audit trail?**
    Answer: An audit trail is a sequence of documents and records that provide evidence of a transaction and help verify its accuracy and authenticity.
74. **What is a risk-based audit approach?**
    Answer: A risk-based audit approach focuses on areas of high risk to the organization, allocating more resources to test and verify these areas thoroughly.
75. **What is a substantive audit procedure?**
    Answer: Substantive procedures are audit techniques used to test financial statement balances, transactions, and disclosures directly, such as verifying invoices or performing inventory counts.
76. **What is the role of an auditor’s report?**
    Answer: The auditor’s report provides an independent opinion on whether a company's financial statements are free from material misstatement and are prepared in accordance with applicable accounting standards.
77. **What is SOX compliance?**
    Answer: SOX (Sarbanes-Oxley Act) compliance refers to the regulations that public

companies must follow to ensure accuracy in financial reporting and to prevent fraud, including the assessment of internal controls.

78. **What are audit assertions?**
    Answer: Audit assertions are claims made by management regarding the accuracy and completeness of financial statements. Examples include existence, completeness, valuation, and rights and obligations.
79. **What is a management letter in auditing?**
    Answer: A management letter is a report issued by auditors to the company's management highlighting internal control weaknesses and areas for improvement.
80. **What are the different types of audit opinions?**
    Answer: The four types of audit opinions are unqualified (clean), qualified, adverse, and disclaimer of opinion.

Taxation Interview Questions and Answers:

81. **What is deferred tax liability?**
    Answer: Deferred tax liability arises when taxable income is lower than accounting income due to temporary differences that will reverse in the future, resulting in higher tax payments.
82. **What is the difference between tax evasion and tax avoidance?**
    Answer: Tax evasion is illegal and involves deliberately misrepresenting financial information to reduce tax liability, while tax avoidance is legal and involves using tax laws to minimize tax obligations.
83. **What is VAT (Value Added Tax)?**
    Answer: VAT is a consumption tax levied on the value added to goods and services at each stage of production or distribution.
84. **What is the difference between direct and indirect taxes?**
    Answer: Direct taxes are paid directly to the government by individuals or entities (e.g., income tax), while indirect taxes are collected by intermediaries (e.g., sales tax).
85. **How are capital gains taxed?**
    Answer: Capital gains are taxed based on the profit realized from the sale of an asset. They may be classified as short-term or long-term, depending on how long the asset was held.
86. **What are the key components of tax planning?**
    Answer: Tax planning involves strategies to minimize tax liability through deductions, credits, exemptions, and deferrals, while ensuring compliance with tax laws.
87. **What is the difference between tax credits and tax deductions?**
    Answer: Tax credits directly reduce the amount of tax owed, while tax deductions reduce taxable income, which indirectly lowers the tax bill.
88. **What is a tax audit?**
    Answer: A tax audit is an examination of an individual or organization's tax returns by the tax authorities to ensure accuracy and compliance with tax laws.

89. **What is transfer pricing?**
    Answer: Transfer pricing refers to the rules and methods for pricing transactions between related entities within a multinational company to ensure taxes are properly allocated.
90. **How is income tax calculated for corporations?**
    Answer: Corporate income tax is calculated based on taxable income, which is gross income minus allowable deductions, multiplied by the applicable corporate tax rate.

Top Accounting Interview Questions and Answers

In this section, we'll cover a wide range of accounting interview questions, from basic to advanced, to ensure you're well-prepared for any scenario.

Q: What are the three main financial statements?

A: The three main financial statements are the Balance Sheet, Income Statement (also known as Profit and Loss Statement), and Cash Flow Statement.

Q: Can you explain the difference between bookkeeping and accounting?

A: Bookkeeping involves systematically recording financial transactions, while accounting encompasses a broader scope, including analyzing, interpreting, and reporting financial information to stakeholders.

Q: What is the accounting equation?

A: The accounting equation is Assets = Liabilities + Owner's Equity. This fundamental equation forms the basis of the double-entry bookkeeping system.

Q: What is the difference between accrual and cash-based accounting?

A: Accrual basis accounting records revenue when earned and expenses when incurred, regardless of when cash changes hands. Cash basis accounting records transactions only when cash is received or paid.

Q: What is depreciation, and why is it important?

A: Depreciation is the systematic allocation of an asset's cost over its useful life. It's important because it matches the cost of using an asset to the revenue it generates over time, providing a more accurate picture of a company's financial performance.

Q: Can you explain the concept of double-entry bookkeeping?

A: Double-entry bookkeeping is a system where every transaction affects at least two accounts. Each transaction is recorded as both a debit to one account and a credit to another, ensuring that the accounting equation always remains in balance.

Q: What is the difference between a trial balance and a balance sheet?

A: A trial balance is an internal document that lists all the account balances to ensure debits equal credits. A balance sheet is a financial statement that reports a company's assets, liabilities, and shareholders' equity at a specific point in time.

Q: What is working capital?

A: Working capital is the difference between a company's current assets and current liabilities. It represents the short-term financial health of a company and its ability to meet short-term obligations.

Q: What is the purpose of a bank reconciliation?

A: A bank reconciliation is performed to ensure that a company's accounting records (cash book) match the bank's records. It helps identify discrepancies, errors, or fraudulent activities.
Q: What is GAAP, and why is it important?
A: GAAP stands for Generally Accepted Accounting Principles. It's a set of standardized guidelines for financial accounting used in the United States. GAAP is important because it ensures consistency and comparability in financial reporting across different companies.
Q: What is the difference between revenue and income?
A: Revenue is the total amount of money earned from sales of goods or services before any expenses are deducted. Income, often referred to as net income or profit, is the amount left after all expenses have been subtracted from revenue.
Q: Can you explain what a journal entry is?
A: A journal entry is a record of a financial transaction in a company's accounting system. It typically includes the date of the transaction, the accounts affected, and the amounts to be debited and credited.
Q: What is the purpose of a chart of accounts?
A: A chart of accounts is a listing of all accounts used in an organization's general ledger. It provides a structured way to record and categorize financial transactions, making it easier to prepare financial statements and analyze financial data.
Q: What is the difference between a debit and a credit?
A: In accounting, debits increase asset and expense accounts and decrease liability, equity, and revenue accounts. Credits do the opposite: they decrease asset and expense accounts and increase liability, equity, and revenue accounts.
Q: What is the purpose of an audit?
A: An audit is an independent examination of an organization's financial statements and records. Its purpose is to provide assurance that the financial statements are free from material misstatement and present a true and fair view of the company's financial position.
Q: Can you explain what a fiscal year is?
A: A fiscal year is a 12-month period used by companies for accounting purposes and preparing financial statements. It may or may not coincide with the calendar year, depending on the company's preference or industry norms.
Q: What is the difference between gross profit and net profit?
A: Gross profit is the difference between revenue and the cost of goods sold. Net profit, also known as net income, is the amount remaining after all expenses, including operating expenses, taxes, and interest, have been deducted from revenue.
Q: What is a ledger in accounting?
A: A ledger is a record-keeping system used to store and organize financial data. It contains all the accounts of a company and shows the changes in these accounts resulting from business transactions.
Q: What is the purpose of a petty cash fund?
A: A petty cash fund is a small amount of cash kept on hand to pay for minor business expenses. It provides a convenient way to handle small, routine expenses without the need for checks or formal purchasing procedures.
Q: Can you explain what accounts receivable means?

A: Accounts receivable represents the money owed to a company by its customers for goods or services provided on credit. It is considered a current asset on the balance sheet.
Q: What is the difference between a balance sheet and an income statement?
A: A balance sheet provides a snapshot of a company's financial position at a specific point in time, showing assets, liabilities, and equity. An income statement shows the company's financial performance over a period of time, detailing revenues, expenses, and profit or loss.
Q: What is the purpose of a general ledger?
A: The general ledger is the main accounting record of a business. It contains all the accounts for recording transactions relating to assets, liabilities, owners' equity, revenue, and expenses.
Q: Can you explain what FIFO and LIFO mean in inventory valuation?
A: FIFO (First-In, First-Out) and LIFO (Last-In, First-Out) are inventory valuation methods. FIFO assumes that the oldest inventory items are sold first, while LIFO assumes that the newest inventory items are sold first. These methods can significantly impact a company's reported profit and tax liability.
Q: What is the purpose of a trial balance?
A: A trial balance is prepared to ensure that the total of all debit balances equals the total of all credit balances in the general ledger. It helps identify errors in the recording process and serves as a basis for preparing financial statements.
Q: Can you explain what a contra account is?
A: A contra account is an account that is paired with a related account and has an opposite normal balance. For example, Allowance for Doubtful Accounts is a contra-asset account that is paired with Accounts Receivable to show the net realizable value of receivables.
Q: Can you explain the concept of goodwill in accounting?
A: Goodwill is an intangible asset that represents the excess of the purchase price over the fair value of the net identifiable assets when one company acquires another. It reflects the value of a company's reputation, customer base, brand name, and other non-quantifiable assets.
Q: What is the difference between financial accounting and managerial accounting?
A: Financial accounting focuses on preparing financial statements for external stakeholders according to GAAP or IFRS. Managerial accounting provides internal financial information to help managers make decisions, plan, and control operations. It's not bound by GAAP and can be more flexible in its reporting methods.
Q: Can you explain what a deferred tax liability is?
A: A deferred tax liability is a tax obligation that a company has incurred but has not yet paid. It arises when there's a difference between the tax basis of an asset or liability and its reported amount in the financial statements, typically due to timing differences in revenue or expense recognition.
Q: What is the purpose of a statement of cash flows, and what are its main components?
A: The statement of cash flows shows how changes in balance sheet accounts and income affect cash and cash equivalents. It's divided into three main sections: operating activities, investing activities, and financing activities. This statement helps stakeholders understand a company's ability to generate cash and meet its obligations.
Q: Can you explain the concept of materiality in accounting?
A: Materiality is a key concept in accounting that determines whether an item is significant enough to be disclosed separately in the financial statements. An item is considered material if

its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.
Q: What is the difference between a capital lease and an operating lease?
A: A capital lease (now called a finance lease under ASC 842) is treated as a purchase by the lessee and a sale by the lessor. The leased asset and liability are recorded on the lessee's balance sheet. An operating lease is treated as a true lease in accounting, with lease payments expensed over the lease term. However, under new lease accounting standards, most operating leases are now also recorded on the balance sheet.
Q: Can you explain what the conservatism principle in accounting means?
A: The conservatism principle states that when there is uncertainty in a potential financial estimate, accountants should use the less optimistic estimate. This means anticipating losses but not gains, ensuring that assets and income are not overstated.
Q: What is the difference between GAAP and IFRS?
A: GAAP (Generally Accepted Accounting Principles) is the accounting standard used in the United States, while IFRS (International Financial Reporting Standards) is used in many countries around the world. While they share many similarities, there are key differences in areas such as inventory valuation, development costs, and the treatment of leases.
Q: Can you explain what transfer pricing is and why it's important?
A: Transfer pricing refers to the pricing of goods, services, or intellectual property between related entities within a multinational company. It's important because it affects the allocation of profits between different parts of the company and can have significant tax implications. Companies must ensure their transfer pricing policies comply with local tax laws and international guidelines.
Q: What is the purpose of a consolidated financial statement?
A: Consolidated financial statements combine the financial statements of a parent company and its subsidiaries into a single set of financial statements. This provides a comprehensive view of the financial position and performance of the entire group as if it were a single economic entity.
Q: Can you explain what a derivative is in financial accounting?
A: A derivative is a financial instrument whose value is derived from the value of underlying assets, indexes, or entities. Common types include futures, forwards, options, and swaps. Accounting for derivatives can be complex, often involving fair value measurements and hedge accounting.
Q: What is the difference between a compilation, a review, and an audit?
A: These are different levels of assurance provided by CPAs. A compilation is the lowest level, where the CPA simply helps prepare financial statements without providing any assurance. A review provides limited assurance that no material modifications are needed to the financial statements. An audit provides the highest level of assurance, with the auditor expressing an opinion on whether the financial statements are free from material misstatement.
Q: Can you explain what ASC 606 is and how it affects revenue recognition?
A: ASC 606 is the revenue recognition standard introduced by FASB. It provides a five-step model for recognizing revenue: identify the contract, identify performance obligations, determine the transaction price, allocate the transaction price to the performance obligations, and recognize revenue when (or as) performance obligations are satisfied. This standard aims to

improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets.
Q: What is the difference between a direct write-off method and an allowance method for bad debts?
A: The direct write-off method records bad debt expense only when a specific account is deemed uncollectible. The allowance method estimates bad debts in advance, creating an allowance for doubtful accounts. The allowance method is preferred under GAAP as it better matches expenses to revenues in the period they are incurred.
Q: Can you explain what a qualified opinion in an audit report means?
A: A qualified opinion is issued when the auditor concludes that the financial statements are fairly presented, with the exception of a specific area. This could be due to a scope limitation or a departure from GAAP that is material but not pervasive to the financial statements.
Q: What is the purpose of segment reporting in financial statements?
A: Segment reporting provides information about different business activities or geographical areas within a diversified company. It helps users of financial statements understand the company's performance and risks across different lines of business or regions, which might have different growth rates, risks, and returns.
Q: Can you explain what a contingent liability is and how it's reported?
A: A contingent liability is a potential obligation that may occur depending on the outcome of an uncertain future event. According to GAAP, it should be recorded if it's probable and the amount can be reasonably estimated. If it's only possible, it should be disclosed in the notes to the financial statements.
Q: What is the difference between a retrospective, current, and prospective application of an accounting change?
A: Retrospective application adjusts prior periods as if the new accounting principle had always been used. Current application implements the change in the current period without adjusting prior periods. Prospective application implements the change going forward from the date of the change.
Q: Can you explain what a foreign currency translation adjustment is?
A: A foreign currency translation adjustment arises when a company consolidates financial statements of foreign subsidiaries that use a different functional currency. It represents the unrealized gain or loss from translating the foreign entity's financial statements into the reporting currency and is reported in other comprehensive income.
Q: What is the purpose of an impairment test for long-lived assets?
A: An impairment test is performed to ensure that an asset is not carried on the balance sheet at more than its recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized, reducing the asset's value on the balance sheet.
Q: What is the difference between return on assets (ROA) and return on equity (ROE)?
A: ROA measures a company's profitability relative to its total assets, while ROE measures profitability relative to shareholders' equity.
Q: What are the different methods of depreciation?
A: Common methods of depreciation include the straight-line method, declining balance method, and units of production method.
Q: Explain the accounting treatment of a dividend payment.

A: Dividends are recorded as a reduction in retained earnings and an increase in the liabilities section (as dividends payable) until they are paid.
Q: What is the accrual concept in accounting?
A: The accrual concept means that transactions are recorded when they occur, regardless of when the cash is received or paid.
Q: What is the difference between financial accounting and management accounting?

A: Financial accounting focuses on preparing financial statements for external users, while management accounting provides internal reports for decision-making by management.