

CPA Flashcards PDF

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What is the primary purpose of financial accounting?

The primary purpose of financial accounting is to provide financial information about a business to external users.

What are the four basic financial statements?

The four basic financial statements are the balance sheet, income statement, statement of cash flows, and statement of changes in equity.

What is the accounting equation?

The accounting equation is $\text{Assets} = \text{Liabilities} + \text{Equity}$.

What is the difference between accounts payable and accounts receivable?

Accounts payable is money owed by a business to its suppliers, while accounts receivable is money owed to a business by its customers.

What is depreciation?

Depreciation is the allocation of the cost of a tangible asset over its useful life.

What is the purpose of an audit?

The purpose of an audit is to provide an independent assessment of the fairness and accuracy of a company's financial statements.

What is a budget?

A budget is a financial plan that outlines expected revenues and expenses over a specific period.

What is the difference between fixed costs and variable costs?

Fixed costs do not change with the level of production, while variable costs fluctuate with production levels.

What is working capital?

Working capital is the difference between a company's current assets and current liabilities.

What is the purpose of the statement of cash flows?

The purpose of the statement of cash flows is to provide information about a company's cash inflows and outflows during a specific period.