MBA Finance Job Interview Questions And Answers

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MBA Finance Interview Questions And Answers Guide.

Question - 1:
What is a deferred tax asset and why might one be created?

Ans:
Deferred tax asset arises when a company actually pays more in taxes to the IRS than they show as an expense on their income statement in a reporting period. Differences in revenue recognition, expense recognition (such as warranty expense), and net operating losses (NOLs) can create deferred tax assets.

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Question - 2:
What is a deferred tax liability and why might one be created?

Ans:
Deferred tax liability is a tax expense amount reported on a company's income statement that is not actually paid to the IRS in that time period, but is expected to be paid in the future. It arises because when a company actually pays less in taxes to the IRS than they show as an expense on their income statement in a reporting period.
Differences in depreciation expense between book reporting (GAAP) and IRS reporting can lead to differences in income between the two, which ultimately leads to differences in tax expense reported in the financial statements and taxes payable to the IRS.

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Question - 3:
How is the income statement linked to the balance sheet?

Ans:
Net income flows into retained earnings.

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Question - 4:
Why are increases in accounts receivable a cash reduction on the cash flow statement?

Ans:
Since our cash flow statement starts with net income, an increase in accounts receivable is an adjustment to net income to reflect the fact that the company never actually received those funds.

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Question - 5:
How is it possible for a company to show positive net income but go bankrupt?

Ans:
Two examples include deterioration of working capital (i.e. increasing accounts receivable, lowering accounts payable), and financial shenanigans.

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Question - 6:
Is it possible for a company to show positive cash flows but be in grave trouble?

Ans:
Absolutely. Two examples involve unsustainable improvements in working capital (a company is selling off inventory and delaying payables), and another example involves lack of revenues going forward.in the pipeline.

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Question - 7:
Can you walk me through a cash flow statement?

Ans:

Start with net income, go line by line through major adjustments (depreciation, changes in working capital and deferred taxes) to arrive at cash flows from operating activities.
Mention capital expenditures, asset sales, purchase of intangible assets, and purchase/sale of investment securities to arrive at cash flow from investing activities.
Mention repurchase/issuance of debt and equity and paying out dividends to arrive at cash flow from financing activities.
Adding cash flows from operations, cash flows from investments, and cash flows from financing gets you to total change of cash.
Beginning-of-period cash balance plus change in cash allows you to arrive at end-of-period cash balance.

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Question - 8:

What you have learnt from your failures?

Ans:

I have learnt to analyze myself and find out my shortcomings. I have take those shortcomings seriously to improve myself in the future. You can even say I have learned to never give up, never to feel rejected etc.

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Question - 9:

Why you choose MBA?

Ans:

The answer for this question may vary depending on your background. If you are a fresher finishing your bachelor degree, just say that an MBA would be the right option into the corporate world.
If you are someone having some work experience, then probably you may have different reasons to tell to them. For example you may choose to study the MBA program to switch industries or could be looking for more responsibilities in the same industry.

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Question - 10:

MBA Finance Capital market interview questions:

Ans:

* What does capital market mean?
* How does the company raise funds in capital market?
* What "rights issue" do the shareholders of a company have under Companies Act?
* What are the eligibility criteria for an unlisted company to make public issue?

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Question - 11:

MBA Finance Bank reconciliation statement interview questions:

Ans:

* Explain Bank Reconciliation Statement. Why is it prepared?
* What are the reasons which cause pass book of the bank and your bank book not tally?.

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Question - 12:

MBA Finance Balance sheet interview questions:

Ans:

How would you deal with following while preparing final accounts:
* Closing Stock
* Depreciation
* Outstanding Expenses
* Prepaid Expenses
* Accrued Income
* Income received in advance
* Bad debts
* Provision for doubtful debts
* Provision for discount on Debtors
* Interest on Capital
* Drawings
* Deferred revenue expenditure written off
* Abnormal Loss
* Goods distributed as free samples
* Goods sent on approval basis
* Commission payable to the manager

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Question - 13:

MBA Finance Depreciation interview questions:

Ans:

* What is depreciation?
* What are the causes of depreciation? Is it a cost? Why?

* What is the need of depreciation account?
* What is the effect of depreciation of assets on profits received by owners?

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Question - 14:

MBA Finance Double entry system of accounting interview questions:

Ans:

* What is the principal of Double Entry system of accounting?
* What are the advantages of Double Entry system of accounting?

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Question - 15:

MBA Finance Types of Accounts interview questions:

Ans:

* Explain Real Accounts.
* List different accounts consisting real accounts in practical circumstances

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Question - 16:

MBA Finance Expenditures interview questions:

Ans:

* What are capital expenditures?
* Is it Ok to consider these expenditures while calculating the profitability of during a certain period? Explain your answer.
* Explain deferred expenditures. How are these expenses dealt with in profitability statement?

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Question - 17:

MBA Finance Basics financial accounting interview questions:

Ans:

Explain the following:
* Business Entity Concept
* Dual Aspect Concept
* Going Concern Concept
* Accounting Period Concept
* Cost Concept
* Money Measurement Concept
* Marketing Concept

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Question - 18:

MBA Finance Basic financial management interview questions:

Ans:

* What is the scope of finance function?
* What are the goals of finance function?
* What is the relation of finance function to other functions of a business enterprise?

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Question - 19:

MBA Finance General accounting interview questions:

Ans:

* What are the various streams of accounting?
* Explain Financial Accounting. What are its characteristic features?
* Compare Financial Accounting and Management Accounting?
* Compare Cost Accounting and Management Accounting?

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Question - 20:

Compare Cost Accounting and Management Accounting?

Ans:

1) The scope of management accounting is broader than that of cost accounting.
2) Both the accounting streams are not a legal requirement.
3) Cost accounting provides only cost information for managerial use whereas management accounting provides all types of accounting information i.e., cost accounting as well as financial accounting information.
4) In Cost accounting, the main emphasis is on cost ascertainment and cost control whereas in management accounting the main emphasis is on decision-making.
5) The various techniques used by cost accounting are standard costing, budgetary control, marginal costing and cost-volume-profit analysis, uniform costing and inter-firm comparison, etc. whereas management accounting also uses these techniques but also uses techniques like ratio analysis, funds flow statement, statistical

analysis etc.
6) Cost Accounting is a part of Management Accounting whereas Management accounting is an extension of managerial aspects of cost accounting with the ultimate intention to protect the interests of the business.

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Question - 21:

Compare Financial Accounting and Management Accounting?

Ans:

1) Financial Accounting reports are used by outside parties such as creditors, shareholders, tax authorities etc. whereas Management Accounting reports are used by managers inside the organization for planning, directing, controlling and taking decisions.
2) In Financial Accounting, only historical financial transactions are considered and do not consider non financial transactions whereas in Managerial Accounting emphasis is on decisions affecting the future, thus it may consider future data as well s non financial factors.
3) Maintenance of financial accounting records and preparation of financial statements is a legal requirement whereas Management Accounting is not at all legal requirement. Moreover, these systems have their own reporting formats.
4) In Financial Accounting, precision of information is required whereas in Management Accounting timeliness of information is required.
5) In Financial Accounting, only summarized data is prepared for the entire organization whereas in Management Accounting detailed reports are prepared about products, departments, employees and customer.
6) Preparation of Financial Accounting is based of Generally Accepted Accounting Principles whereas Management Accounting does not follow such principles to prepare reports.
7) Financial reports generated by the Financial Accounting are required to be accurate whereas accuracy is not the prerequisite of management accounting.

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Question - 22:

Compare Financial Accounting and Cost Accounting?

Ans:

1) Financial Accounting protects the interests of the outsiders dealing with the organization e.g shareholders, creditors etc. Whereas reports of Cost Accounting is used for the internal purpose by the management to enable the same in discharging various functions in a proper manner.
2) Maintenance of Financial Accounting records and preparation of financial statements is a legal requirement whereas Cost Accounting is not a legal requirement.
3) Financial Accounting is concerned about the calculation of profits and state of affairs of the organization as whole whereas Cost accounting deals in cost ascertainment and calculation of profitability of the individual products, departments etc.
4) Financial Accounting considers only transactions of historical financial nature whereas Cost Accounting considers not only historical data but also future events.
5) Financial Accounting reports are prepared in the standard formats in accordance with GAAP whereas Cost accounting information is reported in whatever form management wants

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Question - 23:

What is the scope of Management accounting?

Ans:

Following is the scope of Management Accounting:
1) Financial Accounting
2) Cost Accounting
3) Revaluation accounting
4) Control Accounting
5) Marginal Costing
6) Budgetary Control
7) Financial Planning and
8) Break Even Analysis
9) Decision accounting:
10) Reporting
11) Taxation
12) Audit

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Question - 24:

What are the various techniques used to discharge the function of management accounting?

Ans:

Following are the technique used to discharge the function of management accounting:
1) Marginal Costing
2) Budgetary Control
3) Standard Costing
4) Uniform Costing

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Question - 25:

What are the limitations of Management Accounting?

Ans:

Limitations of Management Accounting:
1) Management Accounting is based on financial and cost accounting, in which historical data is used to make future decisions. Thus, strength and weakness of the managerial decisions are based on the strength and weakness of the accounting records.
2) Management Accounting is useful only to those people who are in the decision making process.
3) Tools and techniques used in management accounting only provide information and not ready made decision. Thus, it is only a supplementary service.

4) In Management Accounting, decision is based on the manager's institution as management try to avoid lengthy courses of scientific decision making.
5) Personal prejudices and bias affect the decisions as the interpretation of financial information is based on personal judgment of the interpreter.

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Question - 26:

Define Management Accounting. What are its objectives?

Ans:

Management Accounting is the process of analysis, interpretation and presentation of accounting information collected with the help of financial accounting and cost accounting, in order to assist management in the process of decision making, creation of policy and day to day operation of an organization. Thus, it is clear from the above that the management accounting is based on financial accounting and cost accounting.
Following are the objectives of Management Accounting:
1) Measuring performance: Management accounting measures two types of performance. First is employee performance and the second is efficiency measurement. The actual performance is measured with the standardized performance and a report of deviation from the standard performance is reported to the management for the effective decision making and also to indicate the effectiveness of the methods in use. Both types of performance management are used to make corrective actions in order to improve performance.
2) Assess Risk: The aim of management accounting is to assess risk in order to maximize risk.
3) Allocation of Resources: is an important objective of Management Accounting.
4) Presentation of various financial statements to the Management.

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Question - 27:

What are the characteristic features of cost accounting?

Ans:

Following are the characteristic features of Cost Accounting:
1) Cost accounting views the whole organization from the individual component of the organization like a job, a process etc.
2) Cost accounting aims at ascertaining the profitability of individual components of the organization.
3) It is meant for those people who are part of the decision making process of the organization. Thus, it is only for internal use.
4) It is not a legal requirement. It is not compulsory to maintain cost accounting records.
5) In Cost Accounting, data is immediately available which facilitates in decision making process.
6) Cost Accounting considers each and every transaction, whether related to past or future which will have an impact on the business.

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Question - 28:

Explain Cost Accounting. What are the objectives of doing it?

Ans:

Cost Accounting is the process of classifying and recording of expenditure incurred during the operations of the organization in a systematic way, in order to ascertain the cost of a cost center with the intention to control the cost.
Following are the basic three objectives of Cost Accounting:
1) Ascertainment of Cost and Profitability
2) Cost Control
3) Presentation of information for managerial decision making.

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Question - 29:

Explain Financial Accounting. What are its characteristic features?

Ans:

Financial Accounting is the process in which business transactions are recorded systematically in the various books of accounts maintained by the organization in order to prepare financial statements. These financial statements are basically of two types: First is Profitability Statement or Profit and Loss Account and second is Balance Sheet.
Following are the characteristics features of Financial Accounting:
1) Monetary Transactions: In financial accounting only transactions in monetary terms are considered. Transactions not expressed in monetary terms do not find any place in financial accounting, howsoever important they may be from business point of view.
2) Historical Nature: Financial accounting considers only those transactions which are of historical nature i.e the transaction which have already taken place. No futuristic transactions find any place in financial accounting, howsoever important they may be from business point of view.
3) Legal Requirement: Financial accounting is a legal requirement. It is necessary to maintain the financial accounting and prepare financial statements there from. It is also obligatory to get these financial statements audited.
4) External Use: Financial accounting is for those people who are not part of decision making process regarding the organization like investors, customers, suppliers, financial institutions etc. Thus, it is for external use.
5) Disclosure of Financial Status: It discloses the financial status and financial performance of the business as a whole.
6) Interim Reports: Financial statements which are based on financial accounting are interim reports and cannot be the final ones.
7) Financial Accounting Process: The process of financial accounting gets affected due to the different accounting policies followed by the accountants. These accounting policies differ mainly in two areas: Valuation of inventory and Calculation of depreciation.

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Question - 30:

What are the various streams of accounting?

Ans:

There are three streams of accounting:
1) Financial Accounting: is the process in which business transactions are recorded systematically in the various books of accounts maintained by the organization in order to prepare financial statements. Theses financial statements are basically of two types: First is Profitability Statement or Profit and Loss Account and second is Balance Sheet.

2) Cost Accounting: is the process of classifying and recording of expenditure incurred during the operations of the organization in a systematic way, in order to ascertain the cost of a cost center with the intention to control the cost.
3) Management Accounting: is the process of analysis, interpretation and presentation of accounting information collected with the help of financial accounting and cost accounting, in order to assist management in the process of decision making, creation of policy and day to day operation of an organization. Thus, it is clear from the above that the management accounting is based on financial accounting and cost accounting.

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