Mid Exams summer 2020

**(Subject Name=Principle of Accounting)**



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**BBA 5th semester**

**Submitted to:**

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**Prepare a balance sheet at December 31, 2019.**

**Assets Liabilities & owner’s Equity**

|  |  |
| --- | --- |
| Cash $ 22,000  |  Account Payable $ 60,000 |
| Accounts Receivable $ 10,500 | Notes payable $ 6,00,000 |
| Land $ 5,00,000  | Salaries Payable $ 35,000 |
| Buildings $ 5,00,000  | Interest Payable $ 10,000 |
| Equipment $ 30,000  |  Jack downing Capital $ 431,500 |
| Furnishings $ 58,000 --------------------------------------------------- Snowmobiles $ 16,000 ----------------- $ 1136500   |     ------------------ $ 1136500  |

Assets – Liabilities = Capital

1136500 - 705,000 = 431,500

END OF QUESTION 1

Q2. For each of the following categories, state concisely a transaction that will have the required effect on the elements of the accounting equation. (10 marks)

1. Increase an asset and increase a liability.
2. Decrease an asset and decrease a liability.
3. Increase one asset and decrease another asset.
4. Increase an asset and increase owner’s equity.
5. Increase one asset, decrease another asset, and increase a liability.

Solutions:

a. office equipment purchased on cash.

b. Payment against liability.

c. Sold land on cash.

d. Investment of cash in business.

e. Bought land, paid some cash in advance and the rest amount is A/P, N/P.

END OF QUESTION 2

Q3. Briefly explain the difference between financial accounting and management accounting

Differences between financial accounting and financial accounting are the following

|  |  |
| --- | --- |
| Financial Accounting | Management Accounting  |
| It’s basically focuses on financial year  | The time horizon is defined by the company its self  |
| It shows the company as a whole | It focuses on small units so it draws attention to company organization and its products |
| The compilation in the financial statements for the financial year is obligatory  | The frequency of compiling financial statements is defined by the company it self |
| This accounting is regulated by law i.e. it is standardized  | This accounting is regulated and established by the entrepreneur  |
| The info content of the published financial statements is typically supervised by an auditor  | Information is supervised by the internal auditors  |
| It is mostly defined in financial values  | Besides value data, it’s basically provides quantitative data |
| Focuses on the economic events of the past the statements contain historical data  | This accounting also uses future data and info not only historical data for the purpose of planning  |

END OF PAPER