:: ASSIGNMENT ::

ID: 11533

Name: Hafsa Rehman

Subject: Principles of Accounting

Teacher: Sir Quaid

Iqra National University

Assets:

The resources with economic value which can provide benefit in future owned by a company is known as assets.

There are four types of Assets.

1) Current assets
2) Fixed Assets
3) Intangible Assets
4) Financial Assets

Cash Flow Statement:

Cash flow statement provide details about company's cash flow position. This includes activities where the business is generating cash and consuming cash. Main element of cash flow statement includes cash from operating activities, cash from financing activities and cash from investing activities.

The cash flow includes purely cash items and ignores non-cash items like interest and depreciation etc. Cash items includes payment made towards purchase of inventory, fixed assets, cash received from customers, cash paid to suppliers etc. Cash flow mainly provide information about the inflow and outflow of cash items.

Income Statement:

The financial statement which shows if your company is profitable or not after a given period is known as income statement.

The income generated from businesses which increases the company's assets and hence results in positive cash flow.

The expense generated from businesses which decreases the company's assets and hence results in negative cash flow.

Liabilities:

Liabilities are debt or obligations of a company. The future negative cash flow is represented by liabilities of a company.

The person or company which loans to the company are known as creditors.

Note Payable:

Note payable is a loan between two parties. They are written promised agreements in which a certain amount of cash is paid by one party to another in a specific time period.

Account Payable:

The payment of services and supplies owed by a company to its suppliers is known as account payable.

Owner's Equity:

After the deduction of liabilities from a company's assets the remaining value of assets claimable by the owner (or owners) is known as owner's equity. Owner's equity can be derived with this formula.

Owner's equity = Assets – Liabilities

- Gains and revenue from a profitable business causes increase in owner's equity.
- Losses and expenses from an unprofitable business can cause in decrease in owner's equity.

Inflation:

The decrease in value of monetary units or dollars which means purchases done after inflation will be less because of fall in values of money.

Deflation:

It is the exact opposite of inflation.in which increase in value of monetary units or dollars which means purchases done after deflation will be more because of rise in values of money.

Financial Data:

Financial data represents the financial performance and financial position of the company. This includes all of the elements of income statement, balance sheet, statement of cash flows, statement of changes in equity and notes to the financial statements. This would include assets, liabilities, equity, revenue, expanses and profits.

Net Income:

After deducting the cost of sold goods from the sales we get the Net income.

Debit and Credit Rules:

The whole accounting system is based on the two terminologies known as debit and credit. The accounting system has defined certain nature of accounts to be debit and certain nature of accounts to be credit nature. Assets and expenditure are of debit nature .Liabilities, capital and equity are of credit nature

The basic rule of accounting is that every debit there would be an equal amount of credit. This follows the principle of double entry rule which says that every debit this is a credit and for every credit there is a debit of same amount.

- An increase in the asset would always be a debit and the decrease in asset will always be a credit.
- An increase in the liability will always be a credit and decrease in liability will always be a debit.