

NAME: ALIYAN KHAN

SUBJECT: PRINCIPLE OF ACCOUNTING

ID: 15158

TEACHER: SIR QUAID IQBAL

Q1)

Ans) Currents assets are those assets which can be liquidated with a time frame of 1 year and the example is accounts receivable, inventory

On the other hand the fixed assets are those which can use less than 12 months or use can convert less then one year to cash.

For Example:

Land and buliding

Q:2

Ans:

There are multiple criterias to check the repayment ability of the client based on which decision is taken for granting the loan.

The first is to check the current ratio. Second is to check the debt to equity. Third is to check the net profit margin

Q:3

Ans: Balance Sheet

Assets Amount Liabilities Amount

Land 55000 Notes payable 70000

Cash 7400

Furniture &fixture 20000. Capital 54090

Building 45000

A/c receivable 1250 A/c payable 8000

Supplies 3440

Tota l 132090 Total 132090

Q:4

Ans Income Statement is prepared based on the accrual basis Income and expenses of a particular period are considered.Cash Flow Statement is prepared based on the cash basis Actual money flows are considered.

Income Statement provides information about profitability and owners’ equity. Cash Flow Statement provides information about liquidity and solvency of a business. Income statement and cash flow statement are two important financial statements used by different stakeholders to make their economic decisions. Income statement records income and expenses of a business whereas cash flow statement records movements in cash and bank balances during a specific period.

Q:5

Ans: Debit and credit rules:

Assets are always on the debit side whereas the liabilities and owners equity are always on the credit side.

Increase in assets will always be a debit entry and decrease in assets will always be credit.

Increase in liabilities and owners equity will always be a credit entry whereas decrease in liabilities and owners equity will always be a debit entry

Q:6

Ans: The general purpose of the financial statement is to provide information about the result of the operation financial position and cash flow of an organization .

The income statement inform the readers about ability of the business to generate profits

The balance sheet is to inform readers about the current status of the bussines