NAME:- Afnan Ali Khan

ID# 13187

SUBJECT :- Business Maths

TEACHER:- Mr. Juheed ur Rehman

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Q1(A) Discuss the importance of keeping record through financial statement for any business.

Ans:-

You need good records to prepare accurate and balance sheets. These statement can help you in dealing with your bank or creditors and help you manage your business

- An income statement shows the income and expenses of the business for a given period time
- A balance sheets shows the assets liabilities and your equity in the business on given date.

X ——— X ——— X

Q1(B) Prepare the balance sheets form the data used in the accounting cycle for Paul's Guitar Shop.

ASSETS

Ans Current Assets

Cash	32,800
Accounts Receivable	300
Prepaid Rent	1,000
Inventory	39,800
Total Current Assets	73,900

Long-term Assets

Leasehold improvements	100,000	
Accumulated Depreciation	(2,000)	98,000
Total long term Assets		98,000
Total Assets:		171,900

LIABILITIES

Current liabilitites

Accounts Payable	49,000
Accrued Expenses	450
unearned Revenue	1,000
Total Current libilities	50,450
long-term libilities	99,500
Total liabilities	149,950

OWNER'S EQUITY

Owner's Equity

Retained Earning	11,9500
Common Stock	10,000
Total owner's Equity	21,950
Total liabilities and owner's Equity	171,900

X ——— X ——— X ———

Q2 Given this information, Construct XY, Z, 2008 income statement

Ans Sales (all on credit) 40,00000

Cost of goods Sold - 20,00000

Gross Profit = 40,00000

Operating expenses

Seling expenses = 200000

Administrtive expenses = 20000'

400000

Operating Income = 1600000

Interest Expense - 200000

Income before taxes = 1400000

Incom tax expens = 560000

420000

Net Income After tax =

Q3 Form the balance sheet in Question 1 calculate the following ratios for Paul's Grinton shop.

a) CURRENT RATIO:= $\frac{\text{Current Assets}}{\text{Current liabilites}}$

$$\text{Current Ratio} = \frac{32800 + 300 + 1000 + 39800}{49000 + 450 + 1000}$$

$$= 73900 / 50450$$

$$\boxed{\text{Current Ration} = 1.46}$$

$\times$ —— $\times$ —— $\times$

B) LIQUIDITY RATIO:

$$\text{Quick Ratio} = \frac{\text{Total Current Assets Inventy}}{\text{Current liability}}$$

$$= \frac{73900 - 39800}{50450}$$

$$\text{Quick Ratio} = \frac{34100}{50450} = 0.67\%$$

Q3

~~For~~ From the data given in Question 2 calculate the following ratios for XYZ

a GROSS PROFIT RATIO: = Gross Profit x 100 / Net sales

Gross Profit - Sales - Cost of goods sold
= 400000 - 20,0000
= 200,000

Net sale - Gross sales - Sales return

= 400000 - 0
= 400,000

Gross Profit Ratio = Gross Profit x 100 / Net sale
= 200,000 x 100 / 400,000

= 0.5 x 100
= 50 Ans

OPERATING COST = Cost of goods sold + Administrative expenses + Selling and Distribution Expenses

Net sales = Sales - Sales return
Operating Cost = 200,000 + 200,000 + 200,000
= 600,000
Net sales = 400,000 - 0
= 4000,000

Operating Profit Ratio = operating Cost x 100 Net sales
= 600,000 x 100 / 400,000
= 1.5 x 100
= 150 Ans.

Q4A) What is capital budgeting discuss its importance.

Ans:- Capital budgeting is the process of a bussiness undertake to exalute potential major projects or investments Construction of a new plant or a big investment in an out side venture are example of projects that would require Capital budgeting before they are approved or rejected

IMPORTANCE:-

Capital budgeting decisions impact the firm for several years they must be carefully planned. A bad decision can have a significant effect on the firm's future operations.

Q4 (b) X,Y,Z Company cost of Rs 1000000 should have payback period of 5 Years

net Cash flow

Years	Cash flow
	1000000
1	150~~00~~
2	200
3	250
4	300
5	350

Formula # Payback Period = $\frac{\text{Cost of the ~~rent~~}}{\text{Annual net cash flow}}$

PP = $\frac{\text{Cost of Proj}}{\text{Annual net}}$

uneven Cash flow: $\frac{1000000}{150000}$

150000
200000
250000
350000
1250000

Yes, the company should accept because cash flow of amount net cash is greater the the cost of ~~nn~~ investment Therefor reasonable ~~are~~ due to the company

Q5 with the help of data given in Question 4 find out the Net present value of the project Additional required data

Terminal cash flow is Rs 6000000
Discounted rate is 12%.

Formula $NPV = \frac{Pt}{(1-1)^t}$

Putting value

$$\frac{\cancel{600000}}{(1+12/100)^5}$$

$$= \frac{\cancel{600000}\ 1935000}{(1+0.12)^5}$$

$$= \frac{1935000\ \cancel{600000}}{(1.12)^5}$$

$$= \frac{1935000\ \cancel{600000}}{1.76}$$

Net present value = $\boxed{340909.0}$

$$\frac{1935000}{1.76} - 1099,431$$