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Course Title: Principles of Accounting

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### MID TERM PAPER

Q1. Listed below in random order are the items to be included in the balance sheet of ABC Corporation at December 31, 2019:

Equipment	\$30,000	Jack Downing, Capital	?
Land	5,00,000	Buildings	
5,00,000			
Accounts Payable	60,000	Cash	22,000
Accounts Receivable	10,500	Furnishings	58,000
Salaries Payable	35,000	Snowmobiles	16,000
Interest Payable	10,000	Notes Payable	6,00,000

Prepare a balance sheet at December 31, 2019.

ANSWER :

ABC corporation  
Balance sheet  
As on dec 31, 2019

Assets    Liability +owner equity  
Current assets    Liability

Cash	22,000	Note payable	600,000
Account receivable	10500	Account payable	60,000
Total current assets	32500	Salaries payble	35,000
Fixed assets	Interest payable	10,000	
Land	500,000	Total liability	705,000

Building	500,000	Owner equity	
Equipment	30,000	Jack drawing capital	431,500
Furnishing	58,000		1136.500
Snowmobile	16,000		
Total fixed assets	1104,000		
Total assets	1136,500		

Working assets - liability = owner equity  
1136500 - 431500 = 431500

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

- Increase an asset and increase a liability.
- Decrease an asset and decrease a liability.
- Increase one asset and decrease another asset.
- Increase an asset and increase owner's equity.
- Increase one asset, decrease another asset, and increase a liability.

ANSWER :

- Purchase of office equipment.
- Payment against liability.
- Sold land on cash.
- Investment of cash in business.
- Bought land, paid some cash in advance and the rest of amount is Account Payable, Note Payable

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

ANSWER :

Financial Accounting

Financial Accounting is an accounting system which is concerned with the preparation of financial statement for the outside parties like creditors, shareholders,

investors, suppliers, lenders, customers, etc. It is the purest form of accounting in which proper record keeping and reporting of financial data are done, to provide relevant and material information to its users.

### Management Accounting

Management Accounting, also known as Managerial Accounting is the accounting for managers which helps the management of the organisation to formulate policies and forecasting, planning and controlling the day to day business operations of the organisation. Both the quantitative and qualitative information are captured and analysed by the management accounting.

### Differences Between Financial Accounting and Management Accounting

The following points explain the major differences between financial accounting and managerial accounting:

1. Financial Accounting is the branch of accounting which keeps track of all the financial information of the entity. Management Accounting is that branch of accounting which records and reports both the financial and nonfinancial information of an entity.
2. Users of financial accounting are both the internal management of the company and the external parties while the users of the management accounting are only the internal management.
3. Financial accounting is to be publicly reported whereas the Management Accounting is for the use of the organisation and hence it is very confidential.