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Subject Principle of accounting

Semester 2nd

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Department BBA

**Question 1: Balance Sheet**

ABC Corporation

Balance sheet

As on Dec 31, 2019

**Assets**  **Liability + Owner Equity**

**Current assets Liability**

Cash 22000 Note Payable 600,000

Account receivable 10500 Account Payable 60,000

**Total current Assets 32500** Salaries Payable 35000

**Fixed Assets** Interest Payable 10,000

Land 500,000 **Total liability 705,000**

Building 500,000 Owner Equity

Equipment 30.000 Jack Downing Capital 431500

Furnishing 58000 **Total Liability and Owner Equity**

Snowmobile 16000 **= 1136500**

**Total Fixed Assets 1104,000**

**Total Assets 1136,500**

**Question 2:**

1. Purchase office equipment on credit
2. Paid account payable
3. Purchase land on cash
4. Owner invest cash in the corporation
5. Purchase land, Paid half cash and sign note payable for remaining cash.

**Question 3: Difference between Financial Accounting and Management Accounting**

**Financial Accounting:**

* Financial Accounting is regulated by Law (Principles, content) i.e. it is standardized.
* Financial Accounting focuses on the economics event of the Past, the statement contain historical data.
* It basically focuses on the financial year.
* The compilation of financial statements for the financial year is obligatory.
* The information of the financial statement is mostly defined in financial values.
* The information content of the published financial statement is typically supervised by an auditor.
* The financial statement show the company as a whole.

**Management Accounting:**

* Management Accounting is regulated and established by the entrepreneur, it is not standardized.
* Management accounting also uses future data and information, not only historical data for the purposes of planning.
* The time horizon is defined by the company itself.
* The frequency of the compiling financial statement is define by the company itself.
* Management Accounting focuses on the smaller units so it draws attention to the company’s organization and products.
* Besides value data it basically provides quantitative data.
* Information is supervised by internal auditors.