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Department:-

MBA (3.5) Weekend

Assignment:-

Financial Accounting

Instructor:-

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Semester:-

Second Semester

Financial Accounting

⇒ Question No 01 :-

Describe Accounting cycle in your own words.

⇒ Accounting cycle:-

Accounting cycle is a process of identifying, collection means collecting and summarizing financial transaction of the business with the objective of generating useful information in the form of three financial statement namely Income Statement, Balance sheet and cash flas.

⇒ Steps:-

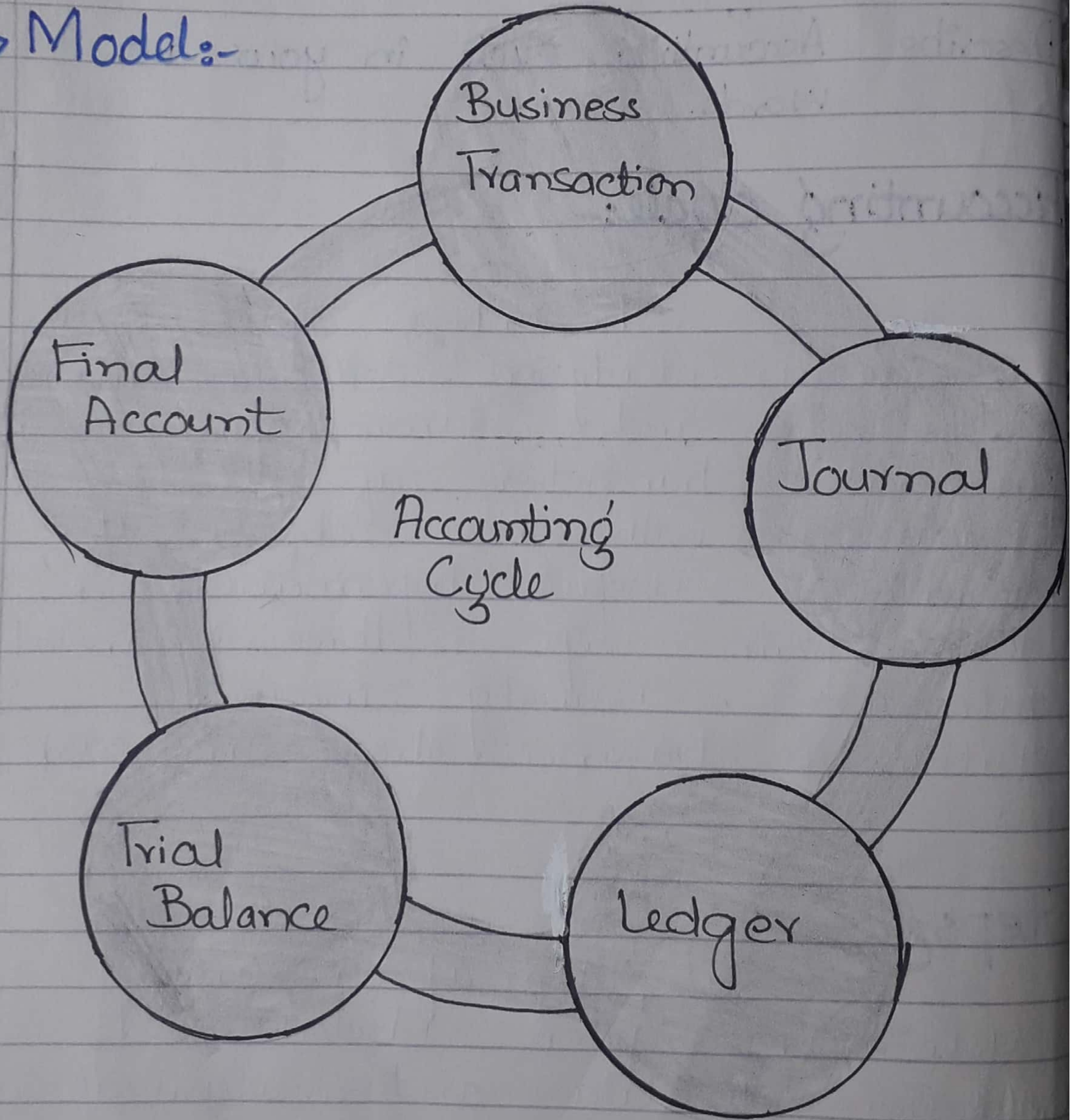
Steps of accounting cycle are given below.

(1) Collection of data and analysis of transactions.

(2) Journalizing

(3) Recording the journals into the ledger account.
(4) Creating unadjusted trial balance.
(5) Final account

⇒ Model:-



⇒ Business transaction:-

In the first step of accounting cycle, the accountant of the company collects the data and analyze the transaction. For smooth running of bussiness, there would be many, many transaction. The accountant need to look at each transaction, find out why it occured.

⇒ Journal:-

After collecting and analyzing the transaction, It's time to record the entries into first book of accounts. Recording in journal means recording entries in the journal is important since if there is any error at the stage of recording, it will linger on in the next of account as well.

⇒ ledger:-

After journalizing all the transaction It's time for the accountant to record the entries into the secondary book of account. General ledger allow the accountant to get the closing balance for preparing ledger and then means preparing the trial balance in the next step of accounting cycle.

⇒ Trial Balance:-

Trial balance is the source of all financial statements. That's why special attention be given to trial balance. In trial balance the debit balance will be recorded on debit side and credit balance will be recorded on credit side.

⇒ Final Account:-

Preparing the final account or financial statement from the trial balance and the adjustment, if any at the end of the accounting period, to ascertain the profit or loss of business at the end of the accounting period.

⇒ Conclusion:-

If an investor can understand these step of the accounting cycle it would be clear her how she should approach the company and its progress or decline. The knowledge of accounting cycle will help her decide whether she should invest in the company or not.

⇒ Question No 02:-

Explain the Accounting concepts.

⇒ Accounting concept:-

There are number of conceptual issues that one must understand in order to develop a firm foundation of how accounting works. These basic accounting concept are as follows.

⇒ Accruals Concepts:-

Revenue and expenses are recorded when they occur and not when the cash is received or paid out.

⇒ Consistency concept:-

Once a accounting method has been choosen, that method should be used unless there is a sound season to do otherwise.

⇒ Going concept:-

The business which means business entity for which account are being prepared is in good condition and will continue to be in business in the ~~forecast~~ forseeable future.

⇒ Accounting equation:-

Total asset equal total liabilities plus owner's equity.

⇒ Accounting period:-

Financial record pertaining only to a specific period are to be considered in preparing account for that period.

⇒ Cost basis:-

Asset value recorded in the account books should be the actual cost paid, and not the asset's current market value.

⇒ Entity:-

Accounting records reflect the financial activities of a specific business or organization not of its owners or employees.

⇒ Full disclosure:-

Financial Statement and their notes should contain all relevant data.

⇒ Lower of cost or market value:-

Inventory is valued either at cost or the market value.

⇒ Money Measurement:-

The accounting process record only activities that can be recognized in the same accounting period.

⇒ **Objectivity:-**

Financial statement should be based only on verifiable evidence including an audit trail.

⇒ **Realization:-**

Any change in the market value of an asset or liability is not recognized as a profit or loss unit the asset the is sold or the libility is paid off.

⇒ **Unit measurement:-**

Financial data should be recorded with a common unit of measure.

⇒ Question No 03:-

What is balance sheet, why it is necessary to be prepared.

⇒ Balance sheet:-

Balance sheet is a statement of assets, liabilities, and capital of a bussiness or other organization at a particular point in time, detailing the balance of income and enpenditure over the proceding period.

⇒ Balance Sheet preparation:-

Balance sheet is prepared in order to report an organization's financial position at the end of an accounting period. The balance sheet as reporting the asset and the claims against those assets.

We can also see the balance sheet as reporting a corporation asset and the amount that were provided by crediters and the amounts provided by the owner.

⇒ Classification:-

A classified balance sheet as reporting means report the current assets in a section that is a seperate from the long term asset. Similarly current liabilities are reported in a section that is seperate from long term liabilities. This allow the bankers, owners, and other to easily compute the amount of an organization working capital and current ratio.