***Mid Term Assignment***

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***Subject: Principle of Accounting***

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**Q:1**

**. 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 |

**Solution:**

ABC corporation

Balance sheet

As on dec 31, 2019

Assets Liability +owner equity

Current assets Liability

Cash 22,000 Note payble 600,000

Account receivable Account payble

10500 60,000

Total current assets Salaries payble

32500 35,000

Fixed assets Interest payble 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

**Q:2**

**. For each of the following categories, state concisely a transaction that will have the required effect on the elements of the accounting equation. a. Increase an asset and increase a liability. b. Decrease an asset and decrease a liability. c. Increase one asset and decrease another asset. d. Increase an asset and increase owner’s equity. e. Increase one asset, decrease another asset, and increase a liability.**

**ANSWER:**

a.)Purchase of office equipment.

b.)Payment against liability.

c.) )Sold land on cash

d.)Investment of cash in business.

e.) Purchased building and paid half cash and signed note payable for remaining balance

**Q:3**

**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.