Part (b)

Liquidity Ratio:-

current ratio = current asset / current liabil

= $350.000 / $202000

= $1.7326

Question No # 4

Ans:

It is the accounting principle that needs, as its name, the matching b/w revenues and their associated expenses. The expenses interrelated with revenues must be known in the same period in the financial statements. If the expenses as well as revenues are recorded contradictorily then it results over and under revenue. simply, it means the expenses must be matched to revenue.

Costing Principle:

It says that an asset would constantly be recorded at original buying price and not the supposed price and consequently, any fluctuations in the market price of the asset would not distress how they are characterized in the balancesheet.

Concept of Going Concer Assumption:

It is stated that business will last for a predictable period and there is no purpose to close the business or scale down its functions meaningfully. This suggests that it will not be breakdown in the instant future except there is understandable verification of closure.

Monitory Unit Assumption:

It is also known as money measurement concept, it refers statement is percentage of gross sale and balance sheet is stated as total assets and cash flow statement shows inflow or out flow of total cash.

Formula:

vertical analysis = Income statement item / total sales x100.

vertical analysis = Balance sheet item / total assets x100.

QuestionNo#3

Ans:

Part (a)

Current liabilities:

Account Payable $77,000
warranty liabilities $25000
Interest Payable $10,000
Sales tex Payable $14,000
Current maturity of mortage payable $40,000
Total liabilities $202000

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that only those functions and transection are write down in books of accounts of the business which can be dignified and record in monetary system.

Time Period Assumption:

It is also known as Periodicity assumption, the accounting instructions that permit the accountant to separate up the compound, going on activities of a business into periods of a year, quarter, month or week.

Economy Entity Assumption:

It is made in generally accept accounting Principles. It refers that functions of the entity are to be remain separate from activities of its owner and all others economic entities. For example, hospitals, federal agencies, companies

Advantages:-

* Partnership combines the resources of all members.
* It also combines the skills of each member.
* There is freedom of government rules and regulations and there are no restrictions of government.
* The Partnership form of business is easy in formation and there is easy in decision making.
* More funds.
* Each member has share risks.

Disadvantages:-

* Infinite liability, the owners are individually liable for any debt.
* Absence of confidence.
* Chance of conflicts may arise among the members.
* Join agency.
* Limited life.

Question No # 1

Ans:

"Partnership Form of Business"

Partnership is a relationship of two or more than two persons who were their financial and managerial resources and approve to carry on a business and share its profits. The agreement is in written form, it is a legal entity as well as accounting entity but not taxable entity.

The partners has limited life it may be ended voluntari as well as involuntarily. we cannot make any changes becaus the changes results in terminatio of the partnership. The assets of partnership is ended, the assets do legally return to the original giver. Each member has right on entire assets equiva to their capital.

Internal environment is useful for setting goals and evaluation. External environments is useful to monitor financial performance, decide whether to invest in company.

Types are: liquidity ratio, efficiency ratio, leverage ratio profitability ratio

2: Horizontal Analysis:-

To show the change in financial statements over the period of time. It allows the financials statement users to easily spot trends and growth patterns. It improves review of company over tim

Formula:

HA = amount in comparison year - amount in base year / amount in base year x100

3: Vertical Analysis:-

The method of analyzing financial statement that list each line item as a percentage of a base figure within statement. The line items of income

"Difference b/w Time Series Analysis and Periodic analysis"

The Time Series analysis is a method of extraction of meaningful Statistics and also the others characteristics of data. It having temporal order. It helps in Prediction of future values based on Previous values while Periodic values analysis is method in which the inventory amount is determined at the end of accounting Period or Specific Peri

Tools:-

Most tools are used by the analyst but the most valuable are:

1: Financial Ratios:-

Ratios are useful to both internal and external environment. Due to this we are able to get the clear view of firms financial health.