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Subject: Principles of Accounting

ANSWER NO.1

Current assets are assets that can be consumed or exhausted normally within one year like tissue paper.

Current assets also include marketable securities, short term investments etc.

While fixed assets are assets that span more than a year normally for examples a laptop.

It appears on the balance sheet as property, land and equipment.

ANSWER NO.2

You have to check the credit history or credit ratings of the company. The credit rating is the past history of the company in the fulfilment of loans taken. If the rating is good you give the loan.

ANSWER NO.3

Non-Current Liabilities

Land $55000

Building $45000

Furniture and fixtures $20000

Current Assets

Cash $7400

Supplies $3440

Accounts Receivable $1250

Capital $54090

Non-Current Liabilities

Notes Payable $70000

To find Accounts Payable

Liabilities=Assets – owner’s equity

=132090 – 54090= 78000

So accounts payable= Liablities – note payable

=78000-7000

=8000

ANSWER NO.4

The cash flow statement only takes into account the cash items like Cash, coins.

Some examples include cash paid in mergers and acquisitions, purchase of marketable securities.

While the Income statement takes into account Non-cash items like depreciation, amortization and deferred tax etc.

Some items include Gross Profit, cost of goods sold.

ANSWER NO.5

Rules of Debit and Credit

Debit is what comes in and Credit is what goes out. Debit is receiver and credit is the giver. Debit are expenses and Credit is income.

For example, you would debit the purchase of a new computer by entering the asset gained on the left side of asset account. A credit entry is made on the right side of the account.

ANSWER NO.6

Financial data consists of pieces or sets of information related to the financial health of business. The pieces of data are used by internal management to analyse business performance and determine whether tactics and strategies must be altered.

People and organizations outside a business will also use financial data reported by the business to judge its credit worthiness.

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