Date: 30 / 9 / 2020 Ijaz Khan (16710) MBA(1.5)

Assignment : Financial Accounting.
Submitted to: Sir Naveed Azeem Khattak.

Partnership:-

is a form of business where two or more people start ~~of~~ a business and are responsible for profit and loss.

There are 3 types of partnership.

① General partnership:-
Each partner shares equally in workload, liability & profits & loss.

② Limited Partnership:-
Partners have limited liability based on their contributions.

③ Joint Venture:- Short-term project or alliances that bring together multiple partners for a project is known as joint venture.

Types of partners:

① Active partner: takes active participation.

② Dormant partner: also known as sleeping partner

③ Secret partner:

④ Nominal partner:

(5) Partner by estoppels:

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Advantages of partnership:-

1. Easy to form
2. More Capital available
3. Greater borrowing capacity
4. Sharing of workload & rewards

Disadvantages

1. Risk of disagreements & friction b/w partners.
2. Unlimited debt liability
3. Each partner is a partnership's agent & is liable for other actions too.

Time Series Analysis :-

is a stastical technique that deals with time series data or tren analysis.

3 types of Data.

1. Time Series data
2. Cross sectional Data
3. Pooled data

Tools of financial Analysis

We use various tools for analyzing financial statement data.

Three tools are as follows:

1. Horizental tool: evaluates a series of data over a period of time.
2. Vertical analysis:- evaluates data by expressing each item in a financial statement as % of base amount.
3. Ratio analysis:- expresses the relationship among selected items of financial statement data.

Ratios are traditonal tools used to analyse financial statements.

Ratios can be Classified into various types:

1. Liquidity Ratios: helps to understand the liquidity of business.
2. Activity Ratios: Measures the effeciency of current Assets & Liabilities
3. Solvency Ratios: Measures long-term business obligations
4. Profitability Ratios: Measures the profitability position of business

① Liquidity Ratios

(a) Current ratio:- measures short term paying ability.

$$= \frac{\text{Current assets}}{\text{Current Liabilities}}$$

(b) Acid test ratio: measures quick short term liquidity.

$$= \frac{\text{investments} + A/R}{\text{Current liabilities}}$$

(c) A/R turnover: measures liquidity of A/R.

$$= \frac{\text{Net Credit Sales}}{\text{Average net } A/R}$$

(d) Inventory turnover:- measures liquidity of Inventory

$$= \frac{CGS}{\text{Average Inventory}}$$

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(e) Profit Margin: measures net Income generated by each $ Sale

$$= \frac{\text{Net Income}}{\text{Net Sale}}$$

(f) Asset turnover: measures how assets are used to generate Sales

$$= \frac{\text{Net Sale}}{\text{Average total Sale}}$$

(g) Return on Assets: measures Overall profitability of Sale

$$= \frac{\text{Net Income}}{\text{Average total Assets}}$$

(h) Return on Common Stockholder's Equity: Measures owner Investment's profitability

$$= \frac{\text{Netincome} - \text{Preferred dividends}}{\text{Average Common Stockholder's Equity}}$$

(i) EPS : Measures net income earned on each share

$$= \frac{\text{dividends}}{\text{weighted-average Common Shares outstanding}}$$

(j) Price Earning Ratio: Measures ratio of M.Price/Share

$$= \frac{\text{M.Price Per share}}{\text{Earnings Per share}}$$

(k) Pay Out Ratio: Measures % of Earning in form of Cash

$$= \frac{\text{Cash dividends declared on Common Stock}}{\text{Net Income}}$$

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(L) Debt to Asset Ratio: Measures % of total assets by creditor

$$= \frac{\text{Total liabilities}}{\text{Total Assets}}$$

(M) Times i earned: Measures ability to Interest payment.

$$= \frac{\text{Net income} + i \text{ expense} + \text{Income tax payment}}{\text{Interest Payment}}$$

Matching Principle:

is the accounting principle that requires the expenses incurred during a period be recorded in the same period in which related the related revenues earned.

For example; if a business pay a 10% commission to sales representatives at the end of each month. If the Company has 50,000 in Sales in Dec, the company will pay Commission of 5000 in Jan.

Fun App Company
Partial Balance Sheet

Current Liabilities	
A/P	$ 77,000
Long term Debt within One year	40,000
Unearned ticket Revenue	36,000
Warranty liability	25,000
Sales taxes Payable	14,000
Interest Payable	10,000
Total current Liabilities	202,000

(b) Fun App Company 'working Capital $148000 and its current ratio is 1.73:1 ($350000/202,000). Although a current ratio of 2:1 has been considered the standard for a good credit rating, many companies operate successfully with a current ratio well below 2:1

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(b) Cost Principle:

It requires that assets be recorded at the cash amount at the time that an asset is acquired. Further the amount recorded will not be increased for inflation or improvements in Market value.

(c) Going Concern:

is a fundamental Accounting principle that has the resources needed to continue operating indefinitely until it provides evidence to the contary.

(d) Monetary Unit assumption:-

also known as Money measurement Concept, states that only those events and transactions are recorded in Accounting books which can measured and expressed in monetry terms.

(f) Economic Entity assumption:

States that each entity or unit must be seperate from all others for accounting purposes.

6. Time period assumption: also known as periodicity assumption states that the life of a business can be divided into equal time periods. These time periods are known as accounting periods for which companies prepare their financial statements to be used by various internal & external parties