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**Subject : Accounting**

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**Section : A**

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**SUBMITTED TO: SIR QUAID IQBAL**

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**Q1: Differentiate between current assets and fixed assets, in your own words With examples? (5 marks)**

**Current Assets:**

Current assets represent all the assets of the company that are expected to be conveniently sold, consumed, used, or exhausted through standard business operations with one year.

**Example:**

1)Stock or inventory

2)Prepaid expenses etc.

**Fixed assets:**

A fixed asset is a longterm tangible piece of property or equipment that a firm owns and uses in its operations to generate income.

**Example:**

1)buildings

2)computer equipments etc**.**

**Difference between current assets and fixed assets:**

1)That assets which can be converted into cash within one year. That is called current assets.

2)That assets which are kept by the firm more then one accounting year is known as fixed assets.

**Q2: Suppose you are a bank manager and a company is requesting for lone, so on what grounds, will you take your final decision to approve or deny its request? (5 marks)**

**Answer:**

“If I am the manager of the bank and company is requesting for loan so first of all I will check their sale and their products demand and there value in market. Then I will check their income and percentage of profit. That they are able to return the loan or not. After I survey these all things. I will take decision that we can approve or deny its request.”

Q3: **You are an owner of a business named “Butter Milk” the balance sheet items are as follows, at the close of business on February 30, 2020 (5 Marks).**

|  |  |
| --- | --- |
| Accounts Payable. | ? |
| Accounts Receivable. | $1,250 |
| Land. | $55,000 |
| Notes Payable | $70,000 |
| Cash | $7,400 |
| Furniture and Fixture | $20,000 |
| supplies | $3,440 |
| Building | $45,000 |
| Your, Capital | $54,090 |

|  |  |  |
| --- | --- | --- |
| **Assets** | **Liabilities And owner’s equity** | |
| Cash…7400 | Notes payable…70000 | |  | |
| Account Receivables…1250 | | Account Payable…8000 | |
| Supplies…3440 | | Total…78000 | |
| Land…55000 | | Owner’s equity | |
| Building…45000 | | Capital…54090 | |
| Furniture and fixture…20000 | |  | |
| Total…132090 | | Total…132090 | |

**Q4: what**

**Q4)What is difference between Cash Flow statement and Income statement ? explain in your own words with examples. (5 Marks)**

**Difference between cash flow statement and income statement:**

**Income statement:**

This statement tell us about the loss or profit of the business activities for a particular accounting period.

**Cash flow statement:**

It is the statement that keeps record of the changes in the cash and cash equivalents of the business during a finantial year.

**Examples:**

1)The income statement consist to two activities that are operating and nonoperating and cash flow statement consist of three activities operating, Investing and financing

**Q5: what are debit and credit rules? explain in your own words (5 Marks).**

**Answer:**

**Debit and credit rules:**

**1)**All account that normally contain credit balance will increase in amount when a credit is added to them and reduced when debit is added to them.

**2)** All accounts that normally contain a debit balance will increase in amount when a debit is added to them and reduced when credit is added to them

**3)** Contra accounts reduced the balance of account with which they are paired this means that a contra account paired with a asset account behaves as through it were a liability account.

**4)**The total amount of debits must equal the total amount of credit in a transections other wise transection is said to be unbalanced. And the financial statement from which a transection is constructed will be inherently incorrect. An accounting software package will flag any journal entries that are unbalanced , so that they can not be enter into the system until they have been corrected.

**Q6: How many types of people use financial data and for what purposes ? explain their types with examples (5 marks)**

**Answer:**

**Company management:**

Management team needs to understand the profebility, liquidity and cash flows of the organization every month. That that it can make operational and financing decisions about the business.

**Competitors:**

Entities competing against a business will attempt to gain access to its financial statements in order to evaluate its financial conditions. The knowledge they gain could alter their competitive strategies.

**Customers:**

When a customer is considering which supplier to select for a major contract. It wants to review their financial statement first in order to judge the financial ability of a supplier to remain in business long enough to provide the goods or services mandated in the contract.

**Employees:**

A company may elect to provide its financial statements to employees. Along with a detailed explanation of what the document contain. This can be used to increase the level of employee involvement in and understanding of the business.

**Suppliers:**

Supplier will require financial statements in order to decide whether it is safe to extend credit to a company

**Leaders:**

An entity loaning money to an organization will require the financial statements in order to estimate the ability of the borrower to pay back all loaned funds and related interest charges.

**Investors:**

investors will likely require financial statements to be provided, since they are the owners of the business and want to understand the performance of their investment.

**Governments:**

A government in whose jurisdiction a company is located will request financial statements in order to determine. Whether the business paid the appropriate amount of taxes.