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**Sec = A**

**Dept = BBA**

**Subject = Accounting**

Q. No1 answer below ?

**Answer of question No1**

* **Fixed Assets**

**1. Also called long-term assets, fixed assets are held by a business with the intentions of continuing use and not to be resold in a short period of time.**

**2. Fixed assets would usually last for more than a year or** 1 **complete accounting cycle of a business.**

**3. They are bought from long-term funds deployed within a business.**

**4. These assets are used to keep a business running and earn profits out of operations.**

**5. If and when required, fixed assets are noteasy to convert into cash.**

**6. Examples of fixed assets include Machinery, Building, Furniture etc.**

* **Current assets**

**1. On the contrary, current assets are kept for resale, can be converted into cash or an equivalent in a short period of time.**

**2. Current assets are likely to be realized within a year or 1 complete accounting cycle of a business.**

**3. They are bought out of short-term funds deployed within a business.**

**4. These are assets which are converted to cash or exhausted during the regular accounting cycle of a business.**

**5. Current assets are easy to liquidate as compared to fixed assets.**

**Q.No5 answer below ?**

Answer of question No5

Rules of debit and credit

It is derived from the Latin word “Debere” which means “To owe” which ultimately was shortened to “Dr.” Similarly, Credit had been derived from the Latin word “Credere” meaning “On which one believes” and it finally turned into “Cr.” In spite of all discussion, we can also say that these (Debit & Credit) are the operators of accounting which operate the subject of accounting.

Debit and Credit represent two sides (columns) of an account i.e. Debit column and Credit column. Debit (Dr.) is to make an entry on left side and Credit (Cr.) is to make an entry on the right side. Now a day’s accountants have adopted such ways of keeping records which are not only used on a long-term basis but are also useful for the management in making important decisions.

Rules Of Debit And Credit

The financial transactions result in increasing or decreasing the values of various individual accounts in the ledger. The following rules of debit and credit are applied to record these increases or decreases in individual ledger accounts.

**Q.No2 answer below**

Answer of question No2

Ans: IF I am a bank manager and a company is requesting for lone, I would firstly watch how the company is performing by looking at their income statement as to how they are performing, whether they are getting profit or losses if they are getting profit I would consider giving them a loan.

I would also make sure that they have the ability to repay the loan.

If the company fulfills the above criteria as a bank manger I would approve of giving them a loan.

**Q.No3 answer below**

Answer of question No3

|  |  |
| --- | --- |
| Account payable | ? |
| Account receivable | $1250 |
| land | $55000 |

|  |  |
| --- | --- |
| Notes payable | $70000 |
| Cash | $7400 |
| Furniture | $2000p |
| Supplies | $3440 |
| Building | $45000 |
| Capital | $54090 |

|  |  |
| --- | --- |
| **Assets** | **Liabilities + owner equity** |
| Cash…7400 | Notes payable..70000 |
| Account receivable…1250 | Account payable …8000 |
| Supplies…3440 | **Total.. 78000** |
| Land…55000 | Owner equity |
| Building…45000 | **Capital..54090** |
| Furniture…20000 |  |
| **Total..132090** | **Total.. 132090** |

Q**No4::/**: What is the difference between cash flow statement and income statement?

Ans: Cash flow statement:

 A cash flow statement show the exact of a company cash inflow and cash outflow for the period of one month.

Income statement:

 It is the statement of profit and loss and shows the company revenue and expense and its use to show the performance of a company that how much money is made,

How much money is paid out and resulting profit and loss the revenue and expense.

Examples:

 The income statement is based on an accrual basis (due or received) while the cash flow statement is based on the actual receipt and payment of cash.

 The income statement is classified into two main activities operating and non-operating, whereas the cash flow statement is divided into three activities operating, investing and financing.

 The income statement is helpful in knowing the profitability of the company, but the cash flow statement is useful in knowing the liquidity and solvency of business which determines the present and future cash flows.

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**QNo6//: How many types of people use financial data and for what purpose? Explain?**

**Ans: The following types of people are the more common users and the reason why they need this information.**

** Company Management**

** Competitors**

** Customers**

** Employees**

** Governments**

** Investors**

** Lenders**

**1. Company Management: The management team needs to understand the profitability, liquidity, and cash flows of the organization every month, so that it can make operational and financing decisions about the business.**

**2. Competitors: Entities competing against a business will attempt to gain access to its financial statements, in order to evaluate its financial condition. The knowledge they gain could alter their competitive strategies.**

**3. Customers: When a customer is considering which supplier to select for a major contract, it wants to review their financial statements 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.**

**4. Employees: A company may elect to provide its financial statements to employees, along with a detailed explanation of what the documents contain. This can be used to increase the level of employee involvement in and understanding of the business.**

**5. Government: 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.**

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