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Q1.Differentiate between current assets and fixed assets,in your own words with examples?

ANS.

Current assets:Current assets are those which can be converted to cash easily with in one year of the date appearing in the heading of the company's balance sheet.**Examples:**Stock,account recievable,investments.

Fixed assets: Assets which are purchased for long term use and cannot converted to cash easily. Which is also known as tangible assets.**Examples:**Land,building,furniture and fixtures.

Q2.Suppose you are a bank manager and a company is requesting for loan,so on what grounds,will you take your final decision to approve or deny its request?

ANS.

Giving a loan:

My final decision for giving a loan will be that first of all i will

check the company financial statement if the companies progress is good and earning good amount of money and also i will check the score, reputation of the company. Then i will check the companies relation with bank and the last thing i will check is that for what purpose is the company taking loan. then i will be ready to give the loan.

Not giving a loan:

For not giving a loan Bank will check the company financial statement and if it is not good and not earning good amount of money then i will reject to give a loan and then no need of checking other details of the company if financial statement is not good

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 ?

ANS.

**Butter Milk
Balance sheet
february 30, 2020**

ASSETS

Cash \$7400

Account receivable	\$1250	
Supplies		\$3440
Land		\$55,000
Building		\$45,000
Furniture & fixture	\$20,000	
<u>Total</u>		<u>132,090</u>

LIABILITIES & OWNER EQUITY

Notes payable	\$70,000	
Account payable	\$8,000	
<u>Total liabilities</u>	<u>\$78000</u>	
Your capital	\$54,090	
<u>Total</u>		<u>\$132,090</u>

Q4. What is difference between cash flow statement and income statement? Explain in your own words with examples.

ANS.

Cash flow statement: A cash flow statement is a financial statement that provides aggregate data and shows companies cash activities during a period of time. **Examples:** Cash flow from operating activities

cash receipt from customer: 15,500

cash paid to employees :14,000

Income statement: In income statement it shows the profit and loss of a company as well as the revenue and expenses during a particular period. The purpose of the income statement is to show that whether the company made profit or loss. **Examples:**

Revenues

Merchandise sales	24,800
Music lesson income	<u>3,000</u>
Total revenue	27,800

Expenses

Good sold	10,200
Depreciation expense	2,000
Rent expense	<u>500</u>
Total expense	12,700

Q5. what are debit and credit rules? explain in your own words.

ANS.

Debit rules: A debit is an accounting entry in which the asset or

expense account is increased and It is positioned on the left in an accounting entry.

Credit rules: A credit is an accounting entry in which the asset or expense account is decreased and it is positioned on the left in an accounting entry.

Q6.How many types of people use financial data and for what purpose? explain their types with examples.

ANS.

There are two types of financial data

1.Internal users

2.External users

•Internal users

Those who reads the financial statement:

owners:The owner provide fund or capital for the organization.whether the business is being conducted on sound lines or not and whether the capital is being employed or not

Management:The accounts are the basics on which the management can study the merits & demerits of the business activity.there fore financial statement are eyes of the management.

Employees:The most important point is that the worker expect regular income growth and want to know about the result of

the business because demand for wage rise,bonus are better working concept.

External users

Creditors:

creditors are interested to know the financial soundness of the entity before granting credit by studying and analyzing financial statement of the entity.

Government:

Government keep a close watch on the financial performance of the business entities and interested in financial statements to know the earnings for the purpose of taxation

Financial institution:

Banks and financial institution that provide loan to a business are interested to know credit worthiness of that business.

Consumers:

These group are interested in getting the goods at reduced prices, there fore they also study financial statements.

Q3(a) Explain the "consumption equation" as given by keynes in his theory?

ANS.

