

Assignment
(Principles Of Accounting)

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

Current assets: Assets that can easily converted into cash in short term.

For examples cash and cash equivalent, account receivable, inventory etc.

Fixed Assets: All tangible properties and equipment that a business uses to produce income for long term.

It cannot be sold or converted to cash in one year.

Examples:

Land and buildings

Plant and machinery

Computet and software

Vehides

Furniture and Fixture

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 ?

Ans: Behalf of company statement of financial position and previous record.

Or

If a company fullfill the requirements of bank policies, Managet can approve their loan request.

Q3.

Sol..

Butter Milk
Balance sheet
February 30,2020

Assets :

Current Assets :

Cash.....	\$7,400
Account Receivable.....	\$1,250
Land.....	\$55,000
Furniture and Fixture.....	\$20,000
Supplies.....	\$3,440
Building.....	\$45,000
Total assets.....	\$132,090

Liabilities :

Account payable.....	8,000
Notes Payable.....	\$70,000
Total liabilities.....	\$70,000
Owner Equity.....	\$54,090
Total ownef equity.....	\$54,090

Q4. What is the difference between cashflow statement and income statement.

Explain in your own words with examples.

Cashflow statement: it is financial statement which helps in understanding the net cash inflow as well as the net cash outflow during an accounting period.

For example

Inflow: university fees, admission fees, hostel fees etc

Outflow: salaries, electing, repair and maintenance etc

Income statement : a summary of a firm, revenue and expenditure over a specific period, ending with the income or loss for a period.

Q5. What are the debit and credit rules, explain in your own words.

Rules of debit and credit

(1). Asset accounts:

Normal balance: Debit

Rule: An increase is recorded on the debit side and a decrease is recorded on the credit side of all asset accounts.

(2). Expense accounts:

Normal balance: Debit

Rule: An increase is recorded on the debit side and a decrease is recorded on the credit side of all expense accounts.

(3). Liability accounts:

Normal balance: Credit

Rule: An increase is recorded on the credit side and a decrease is recorded on the debit side of all liability accounts.

(4). Revenue/ Income accounts:

Normal balance: Credit

Rule: An increase is recorded on the credit side and a decrease is recorded on the debit side of all revenue accounts.

(5). Capital/ Equity accounts:

Normal balance: Credit

Rule: An increase is recorded on the credit side and a decrease is recorded on the debit side of all equity accounts.

Q6. How many types of people use financial data for what purposes? Explain types in your own words.

There are four types of people whose use financial data for many purposes

1. Brokers: A brokers also use financial data to buy and sell securities.

These are also called Managers, investment counselor, investment managers etc.

3. Financial Planners : financial planners helps you manage your money outside of firm.

4. Certified Public Accountants (CPAs): Many CPAs provide firm performance public accounting and independent audit services.