**IQRA National University**

**Module Leader: Quaid Iqbal Module: Principles Of Accounting**

**Spring Semester 2020 Online Assignment (30 Marks)**

**STUDENT**

**UMER KARIM**

**ID 16321 SECTION A**

**Q.1:**

**DIFFERENCE BETWEEN current assets AND fixed assets**

**CURRENT ASSETS FIXED ASSETS**

**DEFINITION DEFINITION**

Current assets are short-term assets, Fixed assets are long-term assets that are used that are typically used up in less than one year. for a duration of more then a year.

**MAIN DIFFERENCES**

1. Current assets are assets that are used 1. Fixed assets are assets that have lifetime of in the day-to-day operations of a business more the one year and are used in production

to keep it running. of goods and services. 2. Current assets value is not reduced over 2. Fixed assets undergo depreciation.

time because of their short-term life. 3. fixed assets are not expected to be sold with in 3. Current assets are typically turn into cash within a year. a year.

4.Current assets are readily to cash to meet 4.fixed assets are not easy to be sold out to meet  short term operational expenses and investments short term operational expenses and easily. investments.

5.sale of current assets results in revenue profit or loss. 5. Sale of fixed assets results in capital

**EXAMPLES** profit or loss.

Cash and cash equivalents  **EXAMPLES**

Accounts receivable, Vehicles(transport services)

Inventory, Office furniture

Prepaid expenses Machinery(production plant)

Marketable securities Lands and Buildings

**Q.2: bank managers final decision**

**ON BASIS OF FINENTIAL STATEMENT**

**APPROVEL DENAIL**

First of all i will check the company financial First of all i will check the company financial statement statement if the companies progress is good and if it is not earning good amount of money then has ability to pay back then i will check the i will reject request of loan and no need of checking other details , reputation of the company other details.

relation with the bank and for what purpose . the company needs this loan.

**Q.3:**

**butter milk**

Balance Sheet

February 30, 2020

**ASSETS**

Cash . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $7400 Account recievable . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $1250

Supplies . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $3440

Land. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $55,000

Building . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $45,000 Furniture & fixture . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $20,000 Total assets . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 132,090

**Liablilities & Owner’s Equity**

Liabilities:

Notes payable . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $70,000 Account payable. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $8,000 Total liabilities . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $78000

Owner’s Equity:

Owner’s Capital. February. 30.2020 $54,090

Total Liablilities & Owner’s Equity. . . . . . . . . . . . . . . . . . . . . . . . . . . $132,090

**Q.4:**

**DIFFERENCE BETWEEN CASHFLOW AND INCOME STATEMENT**

**CASHFLOW STATTEMENT INCOME STATEMENT**

**DEFINITION DEFINITION**

financial statement which provides the operating, financial statement which provides investing, financial activities and breakdowns revenues and expenses and breakdowns the inflow and outflows of cash for a particular the gain and losses for a particular accounting accounting period . period.

**MAIN DIFFERENCES**

1. Divided into three activities that are 1. Divided into two activities that are operating, investing and financial activities. revenues and expenses. 2. Depreciation is not Considered. 2. Depreciation is Considered.  3. Prepared on the basis of various records. 3. Prepared on the basis of ncome statement and ledger accounts. and balance sheet.

4. Objective is to know the ability to pay debt or lease 4. Objective is to know the profitability. by assets that can be readily converted to cash . and owner's equity. 5.based on cash system of account which only 5. based on accrual system of accounting.

considers actual money inflows and outflows.

**Q.5:**

**debit(Dr)**

**DEFINITION**

A debit is an accounting entry which represents a transfer of value to that account in which the asset or expense account is increased and It is positioned on the left in an accounting entry.

**FOR EXAMPLE:** For example, a tenant who pays rent to a landlord will make a debit entry in a rent expense account associated with the landlord.

**CRADit(Cr)**

**DEFINITION**

A credit is an accounting entry which represents a transfer from the account so asset or expense account is decreased and it is positioned on the left in an accounting entry.

**FOR EXAMPLE**: The landlord will make a credit entry in a receivable account associated with the tenant.

**Q6:**

**TYPES OF FINANCIAL DATA USERS**

**1.INTERNAL USERS** 2**.EXTERNAL USERS**

**OWNERS CREDITORS**

The owner provide capital for the organization. creditors are interested to know the financials

Sets the mission and has the vision for the business of the business before granting

so keeps check and uses data to attain goals set. Credit.

**MANAGERS**

The financial statement are eyes of the management **GOVERNMENT**

from Which they study merits & demerits of the business Government organizations keeps

activities and use strategies to benefit the business. close check on the financial

performance of thebusiness entities and the

financial statements is required for tax

inquires.

**BANKS**

Banks before providing loans determines that

Whether the firm have the ability to pay the

. Loan provide for this purpose they Confirm the assets . that can be readily converted to cash by the   . . .

. firm for assurance.  . .

. **the end** .

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