

Name: Umar Farooq

Id: 14792

Paper: Principle of Accounting

Submitted to: Maryam Saleem

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ABC corporation

Balance Sheet

December 31,2014

Asset		Liabilities + Owner's Equity	
Building	500000	Account Payable	60000
Cash	22000	Salaries payable	35000
Equipment	30000	interest payable	10000
Land	500000	Notes payable	600000
A/R	10500		
			705000
Furnishing	58000	Capital	431500
Snow Mobiles	16000		
Total	1136500	Total	1136500

Ans2: A) The purchase of office equipment on credit will cause an increase in the asset and an increase in a liability

B) The payment of an account payable or not payable will cause a decrease in asset cash and decrease in a liability paid

C) the collection of an account receivable will cause an increase in one asset and decrease in another asset. Other example includes the purchase of the land and the sale of the land for cash or on credit

D) the investment of the cash in the business by the owner will cause an increase in an asset and decrease in an owner equity

E) the purchase of an automobile paying part of the cost in cash and promising to pay the remainder at a later time would cause an increase in one asset and decrease in another asset and an increase in liability by the amount of the unpaid portion

Ans3: Managerial accounting:

Managerial accounting involves the presentation of financial information for internal purposes to be used by management in making key business decisions.

Financial accounting:

Financial accounting is a specific branch of accounting involving a process of recording, summarizing, and reporting the myriad of transactions resulting from business operations over a period

Difference between financial and managerial accounting:

The difference between financial and managerial accounting is that financial accounting is the collection of accounting data to create financial statements, while managerial accounting is the internal processing used to account for business transactions.

MANAGERIAL ACCOUNTING	FINANCIAL ACCOUNTING
Used internally	Used externally
Looks ahead	Looks at historical performance
Looks at operational and financial data	Only looks at financial data
Focuses on specific management needs	Reports on the entire company
Managers can choose the information they need	Information is provided based on outside regulators