**Course: Principle of Accounting**

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**BBA 2 semester**

Q1. Difference between current assets and fixed assets in your own words.

Ans. Company assets determine the financial condition of the company and as well as some others factors, and categories, including fixed assets and current assets.

**Fixed Assets:**

The long-term assets are known as fixed assets.

These are also known as property, plants, and equipment. These are tangible things that company try use them for more than one accounting period. These assets are used to produce income and it not sold use them in year time.

**Examples:**

1. Vehicle like trucks.

2. Office furniture.

3. Machineries.

4. Buildings.

5. Lands.

**Currents Assets:**

Current assets are the assets that plans to use up or sell within time limit of one year. This is also known as short-term assets. This include cash, accounts receivable and short-term investment. Current assets also have another name liquids asset, meaning they can easily be converted into income.

**Examples:**

1. Cash and equivalents.

2. Short-term investment.

3. Inventory.

4. Prepaid expenses.

5. Any other liquid assets.

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

**Ans.** Being a bank managers requires many skill and a very sharp mind to handle the responsibilities and making of decisions. If I would be a bank manager and if a company applies for lone the decision I will make will be depended on some various factors. I will check the credit history of the company, their relation with the bank and how the company have been with the bank in the past credits, and in how much time they will care the bank loan. If they are not able to pay the bank lone which property and other things will be considered to be taken if the lone of the company is not been cleared.

**Q3.** You are the owner of the business named “Butter Milk” the balance sheet items are as follows at the close of business 30 February 2020

|  |  |
| --- | --- |
| Accounts Payable | ? |
| Accounts Receivable | $ |
| Land | $ 1,250 |
| Notes Payable | $ 55,000 |
| Cash | $ 70,000 |
| Furniture and Fixtures | $ 7,400 |
| Supplies | $ 20,000 |
| Buildings | $ 45,000 |
| Your, Capital | $ 4,090 |

Make a proper balance sheet from above and find amount of Account Payable?

**Ans.**

|  |  |
| --- | --- |
| ASSETS | $ |
| Account receivable | 1250 |
| Land | 55,000 |
| Cash | 7,400 |
| Furniture and Fixtures | 20,000 |
| Supplies | 3,440 |
| Buildings | 45,000 |
| TOTAL | 1,32,090 |

|  |  |
| --- | --- |
| LIABILITIES | $ |
| Capital | 54,000 |
| Notes Payable | 70,000 |
| Accounts Payable | 8,040 |
| TOTAL | 1,32,090 |

Owners’ Equity

Capital $ 54,000

Liabilities + Owners equity

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

**Ans.** These both are the important part of the integral corporate sheet.

**Cash** **Flow Statement:**

The exact amount of company cash incoming and outgoing over a period of one month. It does not include noncash accounting items such as depreciation and amortization. The cash flow comes from the activity done in the business or revenue of business. It is made based on statement and balance sheet; it is divided into three main parts.

1. **Operating Activities:**

Examining the cash flow from net income and losses, the company had done.

1. **Investing Activities:**

The investing or spending activities carried out by the company.

1. **Financing Activities:**

Shows the cash flow from all the financing activity such as profits or taking loans.

**Example:**

|  |
| --- |
| **Cash Flow statement for XYZ statement** |

|  |
| --- |
| CASH FLOW FROM OPERATING ACTIVITIES $  Cash recipts from customer 83,000  Cash paid to supplies and employees (56,000)  Cash generated from operations 27,000  Dividends received 250  Interest received (600)  Interest paid (500)  Tax paid (2,450)  Net cash flow from operating activities 24,800  CASH FLOW FROM INVESTING ACTIVITIES  Addition to equipment (2,500)  Replacement of equipment (7,000)  Proceeds of loan 500  Net cash flow from investing activities 9,000  CASH FLOW FROM FINANCING ACTIVITIES  Proceeds from capital contributed 3,400  Proceeds from loan 16,000  Payment of loan (5,400)  Net cash flow from financing activities 14,000  NET INCREASED DECREASED IN CASH 29,000  Cash at the beginning of the period 2,430  Cash at the end of the period 32,320 |

**Income Flow Statement:**

It is the most common financial statement, and show a company’s revenue and expenses including noncash accounting etc. it measures the company’s financial performance. It sows whether the company is making a profit or not and what is the owners’ equity. It is made based on records and ledger accounts. Example:

**INCOME FLOW STATEMNET**

Revenues and Others Income

Sales and other operation revenue (I) 23, 7162 Income from equity affiliates 5,380

Other income

Total revenues and other income 24, 4363

Costs and other deductions

Crude oil and other purchases 12, 8217

Production and manufacturing expenses 34,128

Selling, general and administrative expenses 1,956

Depreciation and depletion 19,893

Exploration expenses, including dry holes 1,790

Interest expenses 601

Other taxes and duties 30,104

Total cost and other deduction 225,689

Income before income taxes 18,674

Income taxes 1,174

Net income including no controlling interest 19,848

Net income attributable to no controlling interest 138

Net income attributable to ExxonMobil 19,710

**Q5.**What are debit and credit rules. Explain in your own words?

**Ans:** **Debit rules:**

1. The incoming of money for the company by an assets or expenses.

2. All expensive and loses or decreases in equity of the company of firm.

3. The receiver of the money incoming.

4. It is position on the left in accounting entry.

**Credit Rules:**

1. What goes out of the firm or organization like for the profit.

2. All incomes and gains for the business.

3. The givers of the money for the betterment.

4. It is positioned on the right in an accounting entry.

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

**Ans:** Different of peoples use financial data for many different purposes. Company use financial data to get the knowledge how to inform the stakeholders, investor and government agencies about their financial position.

**Types of Financial Users:**

1. Companies management
2. Competitor
3. Employees

**Companies Management:**

The management teams need to learn how to get more profit and decision making in difficult, irregular conditions. They need to learn the organization decision making processes how to do a businesses and making operational activities in run.

**Competitor:**

Competitor use financial data to judge the condition of their own organization an others organization and how they are better than us are how to overcome their mistake and loses even if they are doing then others.

**Employees:**

They use financial data to know that which country, organization or firm are given the opportunities and income according their needs. They use this data that how much the company is getting the profit and which company is getting better and better.

**THE END**