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**Subject: PRINCIPLES OF ACCOUNTING**

**Semester: 8th**

**Submitted to: MARYAM SALEEM**

Q1. Listed below in random order are the items to be included in the balance sheet of ABC Corporation at December 31, 2019:

Prepare a balance sheet at December 31, 2019. (15 marks)

|  |  |  |  |
| --- | --- | --- | --- |
| **Assets** |  | **Liabilities & Owner Equity** |  |
| **Equipment** | **30,000** | **Account Payable** | **60,000** |
| **Land** | **5,00,000** | **Note Payable** | **6,00,000** |
| **Account Receivable** | **10,500** | **Interest Payable** | **10,000** |
| **Buildings** | **5,00,000** | **Salaries Payable** | **35,000** |
| **Furnishings** | **58,000** | **Total** | **705,000** |
| **Cash** | **22,000** | **Jack Downing, Capital** | **431,500** |
| **Snowmobiles** | **16,000** |  |  |
| **Total** | **1,136,500** | **Total** | **1,136,500** |

**ABC Corporation**

**Balance sheet**

**December 31, 2019**

Q2. For each of the following categories, state concisely a transaction that will have the required effect on the elements of the accounting equation. (10 marks)

1. Increase an asset and increase a liability.
2. Decrease an asset and decrease a liability.
3. Increase one asset and decrease another asset.
4. Increase an asset and increase owner’s equity.
5. Increase one asset, decrease another asset, and increase a liability.

**Answer:**

(a) Purchase office equipment cash.

(b) Paid Account Payable.

(c) Purchase land on Cash.

(d) Owner investment in a company through cash.

(e) Purchase land, Paid half of the cash and sign note payable for the remaining cash.

Q3. Briefly explain the difference between financial accounting and management accounting. (5 marks)

**Financial accounting** helps to classify, analyze, summarize, and record financial transactions of the company. The main objective is to showcase an accurate and fair picture of the financial affairs of the company.

**Management Accounting** collects, analyses, and understands the financial, qualitative, and statistical information to help the management make effective decisions about the business.

**Differences between financial & managerial accounting:**

* Managerial accounting is used strictly for internal purposes, while [financial accounting provides financial information](https://www.fool.com/the-blueprint/financial-accounting/) based on accounting standards.
* Managerial accounting frequently looks ahead, while financial accounting offers analysis of historical data.
* Managerial accounting typically runs a variety of operational reports throughout the month, while financial accounting runs financial statements at the end of the accounting period.
* Managerial accounting uses estimated amounts, while financial accounting only uses actual numbers.
* Financial accounting is encompassing, focusing on the entire organization while Managerial accounting is specific offering detailed and divided information on diverse things such as tasks, department, operations, specific activities, sales, products.
* Financial accountancy is legally required and expected by law while Managerial accounting is not required by any law or norm.
* Reports in financial accounting are of the entire results of the business while Managerial accounting reports are usually detailed and poignant and can be for geographic area, customer, product, service among others.