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SUBJECT:PRINCIPLE OF ACCOUNTING
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MID TERM.**

**Q#3You are an owner of a business named “Butter Milk” the balance sheet items are as follows, at the close of business on February 30, 2020**

With the help of given data we will draw balance sheet for the butter milk

 **BUTTER MILK**

 **BALANCE SHEET**

 **FEBURARY 30,2020**

**ASSET OWNER’S EQUITY+LAIBILITY**

Cash------7400 Capital-------54090

Land------55000 notes payable-------70000

Furniture’s

and fixtures--------20000 account payable----8000

supplies----------3440

building-----------45000

account receivable------1250 \_\_\_\_\_\_\_\_\_\_\_

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 132090 132090

**Q#1 Differentiate between fixed asset and current asset in your own words with examples?**

**ANSWER:** Current and fixed assets are listed on the balance sheet shows companys recources or assets while also showing how those assets are financed whether through debt as shown under liabilities or though issuing.

**CURRENT ASSET:**Are assets that can be converted into cash with in on fiscal year or operating cycle Current assets are used to facilitate day to day operational expenses and investments as a result short terms are liquid meaning that they can be readily converted into cash. For ex: cash and cash equivalent.
**FIXED ASSETS:**Are noncurrent assets that a company uses itin its production or goods and services that have a life more then 1 year. Fixed assets are recorded on the balance sheet and listed as property plants etc.

**Q.4)** **: what is difference between Cash Flow statement and Income statement ? explain in your own words with examples**Ans) **CASH FLOW STATEMENT:**

The cash flow statement is an important part of a financial statement of a company it is used to represent the cash flow in flows and out flows during the year from operating investing and financing activities. The statement reflects the position of cash and cash equivalent at the beginning and of the year it hows the movements of cash during the period.

FOR EXAMPLE:

**INCOME STATEMENT:**
The income statement is one of the important and major parts of the financial statement it is used to represent the revenues gains expenses and losses from operating and non operating activities of the company when the total revenue exceeds.
FOR EXAMPLE:

**Q.5)**what are debit and credit rules ? explain in your own words
Ans) **RULES OF DEBIT AND CREDIT:
1.** First: debit what comes in 1. credit goes out
2. Debit all expenses and losses 2. credit all income and gains
3. Debit the receiver 3. credit the giver

 **Q.6**: How many types of people use financial data and for what purposes ? explain their types with examples.
Ans) Companies use their financial statements to inform their stakeholders including investors vendors and governments agencies about their business financial positions and profits or losses.

**TYPES OF PEOPLE
STAKE HOLDERS:**Stakeholders use data on financial statements such as the balance sheet and income statement to make business decisions about an organizations non profits and charities also have stake holders.

**GOVERNMENT AGENCIES:**
Government entities need financial statements to ascertain the propriety and accuracy of taxes and other duties declared and paid by a company vendors who extend credit may use financial statements to assess the creditworthiness of the business.

**INVESTORS:**Investors use accounting information to decide wether to buy hold sell ownership shares of a company creditors use accounting information to evaluate the risks of granting credit or lending money.

**Q.2)** **:** 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) If im the bank manager and some company is requesting me for loan I will give the loan to that particular company on the basis of my own bank rules/agreements or requirements as first of all I would see that if the company is established enough to return my loan back with interest or not I will check its cash flow history to make sure that this company have the strength to return the money with in the given months/year or whatever.
**FIVE KEYS OF LOAN APPLICATION:**1) Credit history
2) cash flow history and projections for the business
3) Collateral available to secure loan
4) Character
5)Myriad pieces of loan documentation that includes business and personal financial statements, income tax returns, a business plan and that essentially sums up and provides evidence for the first four item listed.