Victoria University of Bangladesh

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ACT 214

Ans: to: the: Q: No: 1

Financial statements are written records that convey the business activities and the financial performance of a company. Financial statements are often audited by government agencies accountants, firms, etc. to ensure accuracy and for tax, financing, or investing purposes. For-profit primary Financial statements include the balance sheet, income statement, statement of cash flow, and statement of changes in equity. Nonprofit entities use a similar but different set of financial statements.

Ans: to: the: Q: No: 2

The 5 types of financial statements you need to know

There are several crucial Financial statement documents that every business needs. It's not just a matter of compliance or best practice they are vital tools to staying on top of your figures. Here are the key documents you needs to know about:

1. Income statement:

Arguably the most important. A business needs to keep a very close eye on profit and money coming in, and that's precisely what an income statement does. An income statement may also be known as a profit and loss statement, showing your business income and outgoings over a set period. The income statement takes revenue, losses, and expenses into account, so it can show whether your company has turned a profit or has missed its mark.

2 Cash flow statement:

The cash flow statement shows how money enters and leaves your business, so you can see what you have available as working capital at a particular time. A cash flow statement is essential for showing you how quickly you could source cash if you needed it as it doesn't take into account things like raw materials or purchases made but not yet paid for - on credit

3 Balance sheet:

The balance sheet displays three key things: your assets, your liabilities and your equity. The balance sheet can show the current value of a business for the period it covers. Looking at your balance sheet can help you understand if you can meet your financial obligations.

4 Note to Financial statements:

This is a requirement of the IFRS (International Financial Reporting standards) and gives greater context around the information contained in your other financial statement documents.

5 Statement of change in equity:

This document shows the changes made to your company's share capital, retained earnings and accumulated reserves. For a sole trader, it shows changes to the owners equity. For a Partnership it shows the changes between both partner's equity.

Ans: to: the: Q: NO: 3

working capital = Current assets - current liabilites

current asset:

Cash = 108,000

Inventires = 130,000

Acc. Receable = 16,000

Prepaid Insurance = 16,000

= 270,000 $

current liabity:

Creditor = 50,000

accrued exp = 20,000

= 70,000 $

working capital = 270,000 - 70,000

= 200,000 $

Ans: to: the: Q: No: 4

Liquidity Ratio = $\frac{\text{Quick assets}}{\text{Immediate liabilities}}$

Here,

Quick assets:

Current asset = cash + curentory
+ Accounts Receivable
+ Prepaid insurance

= 108000 + 130,000 + 16,000 + 16,000
= 270,000 \$

Less: = (Inventories + prepaid Insurance)
= ~~126~~ 130,000 + 16,000
= 146,000

Quick assets = (270,000 − 146,000)
= 124,000 \$

8

Immediate liability = creditors + accrued expenses

= 50,000 + 20,000

= 70,000 \$

Liquidity ratio $= \dfrac{124,000}{70,000}$

= 1.78 Time on

1.78 : 1