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COURSE CODE : ACT 214

COURSE TITLE : FINANCIAL ACCOUNTING - 2

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1 Course title: Financial Accounting-2
Course code: Act 214

Ans: to the Q.N (1)

(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 statements, statement of cash flow and statement of ...

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of changes in equity. Non profit entities use a similar but different set of financial statements.

* Financial statements are written records that convey the business activities and the financial performance of an entity.

* The balance sheet provide an overview of assets, liabilities, and shareholders equity as a snapshort in time.

* The income statement primarily focuse on a company

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revenues and expenses during particul period. once expense are subtracted from reven ues. the statement produces company profit figure called net income.

* the cash flow statement measures how well a company generates cash to pay it debt obligations. fund its operting expense and fund investment

* the statement of changes in equity record ho profits are retained within a company for future growth or distri

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buted to external parties.

Understanding financial statement investores and financial analysts rely on financial data to analyze the performance of a company and make predictions about the future direction of the company stock price. One of the most important and reliable resources of financial data is the audited annual report which contains the firms financial statements. There is no Generally Accepted accounting

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Ans to the Q.N. (2)

(2) The three main types financial statements are the balance sheet, the income statement and the cash flow statement. together these three statements show the assets and liabilities of a business, its revenues and costs, as well as its cash flows from operating investing and financing activities.

* Income statement.
* cash flow statement
* Balance sheet
* note to financial
* Statement of change in equity

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Income statement

Arguably the most important
A business needs to keep a very
close eye on profit and money
coming in, and thats pre-
cisely what an income state-
ment does. An income
statement may also be kn-
owing as a profit and loss
statement, showing your
business income and out
going over a spe period
the income statement taken
revenue, losses, and expense
into account so it can show

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whether your company has turned a profit or has missed its mark

cash flow statement

the cash flow statement shows how 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 into account things like raw materials or purchase made but on yet paid for on credit

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Balance sheet

The balance sheet displays three key things you 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.

Note to financial statement

This is a requirement of the IFRS international

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financial Reporting standards and given greater context around the information contained in your other financial statement documents for example. your assets may be listed in the balance sheet, but you note to

<u>Statement of Change in equity</u>

This document shows the changes made to your company share capital, retained earnings, and accumulated reserves. for a sole trade. It shows change to the owners equity

Ans:- to the Q. N (3)

(3)

Working capital = current assets - current liabilities

current assets:

cash = 108,000

Inventories = 130,000

Acc Receivable = 16,000

Prepaid Insurance = 16,000

= 270,000 $

current liability:

creditor = 50,000

accrued exp. = 20,000

= 70,000

Working capital = 270,000 - 70,000

= 200,000 $

Ans: 200,000 $

Ans: to the Q. N (4)

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

Here

Quick assets:

current asset = Cash + inventory ~~+A~~
+ Account Receivable + Pr-
epaid insurance

= 108000 + 130000 + 16,000
+ 16,00

= 270,000 $ (current Asset)

Less: = (Inventories + Prepaid insurance)

= 130,000 + 16,000

~~= $146,000~~

= 146,000

Quick Assets = (270,000 − 146000)

= 124,000 $

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~~Immediate leabilitity = creditors +~~

Immediate liability = creditors + accrued expenses

$= 50,000 + 20,000$

$= 70,000$ \$

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

$= 1.78$ time on

Ans: 1.78 : 1