

FINAL EXAMINATION
SPRING SEMESTER - 2021

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Registration No: **BSCS115/1-13/M01015**

Semester: **Spring 2021**

Course Name: **Financial Accounting**

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Q 1. What is the meaning of going concern and accrual principle in accounting?

The going concern principle assumes that any organization will continue to operate its business for the foreseeable future. The principle purports that every decision in a company is taken with the objective in mind of running the business rather than that of liquidating it.

Going concern is one of the very fundamental principles of accounting. It assumes that the entity will continue to remain in business for the foreseeable future. Conversely, it also means that the entity does not plan to, or expect to be forced to, liquidate its assets. Under this accounting principle, it defers revenue and expenses according to other principles of accounting. If the going concern assumption did not hold true, then it would not be possible to record prepaid or accrued expenses as such.

The accrual principle is an accounting concept that requires transactions to be recorded in the time period in which they occur, regardless of when the actual cash flows for the transaction are received. The idea behind the accrual principle is that financial events are properly recognized by matching revenues against expenses when transactions – such as a sale – occur, rather than when the actual payment for the transaction may be received.

The main difference between accrual accounting and cash accounting lies in the period in which revenues and expenses are recorded as having occurred.

Q 2. Highlight the difference between journalizing and post?

Journalizing is the methodical documenting of transactions in the appropriate journals. Every event is documented with double-entry, and an opposite entry is completed as well. Posting is where you transfer the data you have recorded in journalizing to ledger accounts. Posting is the step after accurately journalizing. The act of transferring a journal entry into a ledger account is called journal posting. It includes transferring of debits and credits from g

Posting to Accounts in the General Journal ... After identifying an appropriate account, a journal entry is posted in the general journal using double-entry...

Q 3. Define assets liabilities and capital un detail?

Assets are the economic resources belonging to a business. ... Capital is the value of the investment in the business by the owner(s). It is that part of the business that belongs to the owner; hence it is often described as the owner's interest. Assets are the economic resources belonging to a business. Assets could be money in a cash register or bank account, or items such as property, fixtures and furniture, equipment, motor vehicles, and stock or goods for resale. An important asset in businesses which sell goods or services on credit is money owed to the enterprise by customers. This asset is known as debtors.

Capital is the value of the investment in the business by the owner(s). It is that part of the business that belongs to the owner; hence it is often described as the owner's interest.

Liabilities are the debts owed by the firm. The main types of liabilities are creditors (money owed by the business to suppliers of goods and services), bank overdrafts and bank loans. Liabilities are the debts owed by the firm.

Q 4. Differentiate nominal and real accounts in accounting?

Definition of Nominal Account

The balance in a nominal account is closed at the end of the accounting year. As a result, a nominal account begins each accounting year with a zero balance. Since the balance does not carry forward to the next accounting year, a nominal account is also referred to as a temporary account.

Examples of Nominal Accounts

The nominal accounts are almost always the income statement accounts such as the accounts for recording revenues, expenses, gains, and losses. When the income statement accounts are closed at the end of the accounting year, the net amount will ultimately end up in a balance sheet equity account such as the proprietor's capital account or the corporation's retained earnings account.

Definition of Real Account

The balance in a real account is not closed at the end of the accounting year. As a result, a real account begins each accounting year with its balance from the end of the previous year. Because the end-of-the-year balance is carried forward to the next accounting year, a real account is also known as a permanent account.

Examples of Real Accounts

The real accounts are the balance sheet accounts such as the accounts for recording assets, liabilities, and the owner's (or stockholders') equity. However, the sole proprietor's drawing account, which is reported on the balance sheet during the year, is a temporary account because it is closed directly to the owner's capital account at the end of the year.