

Assignment I

MGT131-Financial Accounting
BS Software Engineering



Submitted by:

Aoun Haider (FA21-BSE-133)

Section: A

Submitted to:

Mr. Haroon Abbas

Submitted on: **October 3, 2022**

**COMSATS University Islamabad
Lahore Campus**

Table of Contents

1- Accounting definition.....	3
2- Difference b/w pre-paid and postpaid	3
3- Difference b/w earned and unearned revenue	4
4- Types of assets w.r.t category and tenure	4
4.1- Types of asset w.r.t category	4
4.1.1- Tangible asset.....	4
4.1.2- Non-tangible asset	4
4.2- Types of asset w.r.t tenure	4
4.2.1- Short term asset.....	4
4.2.2- Long term asset	4
5- Types liability w.r.t tenure and category	5
5.1- Types of liability w.r.t tenure.....	5
5.1.1- Short term liability.....	5
5.1.2- Long term liability.....	5
5.2- Types of liability w.r.t category.....	5
5.2.1- Tangible liability.....	5
5.2.2- Non-tangible liability.....	5

Question no.01:

What is Accounting?

The process of calculating and analysing our expenses, understanding how to manage our savings and considering which is suitable way in which we can gain more profit is called accounting.

It is the system of recording and analysing business transactions. In daily life, mostly people make calculation in their minds.

For example, a house owner is thinking about the management of his home budget and calculating where he should have to spend it. In the same way, if have lend 100 rupees from two friends I will return to one who is stricter among them. This is also accounting.

For a large business, record is needed to measure the profit and loss. We can make financial reports in accounting, so that we can measure business performance through financial reports.

Question no.02

Difference b/w prepaid and post-paid expense:

Prepaid	Post-paid
1) Must be paid in advance before purchasing the item.	1) Paid after purchasing the item. It may be paid in a specified time period.
2) For example, If want to take an apartment on rent, we have to pay in advance.	2) For example, I have not enough money to buy a car, I will purchase it by paying all the amount in the form of instalments in a specific time period.

Question no.03

Difference b/w Earned revenue and Unearned revenue:

Earned revenue	Unearned revenue
<p>1) It is the total amount we have earned including profit and loss after selling our asset.</p> <p>2) For example, if we sale our asset in a market and we receive the payment after selling the item is earned revenue.</p>	<p>1) It is the amount that we have pay in advance.</p> <p>2) For example, if we take an apartment on rent, we will pay rental amount in advance. This amount is our unearned revenue.</p>

Question no.04

What are types of assets according to category and tenure?

4.1) Types of assets w.r.t category:

4.1.1) Tangible assets:

Those assets which we can touch and physically exist are known as tangible assets. For example, if laptop is my asset, it will be my tangible asset. In the same way, my furniture and cash is also tangible asset.

4.1.2) Non-tangible assets:

Those assets which we cannot touch and physically not exist are non-tangible assets. If I have developed my own software, it will be my non-tangible asset. Patent which is used for prevention of ideas is non-tangible asset. In the same way, copyright, logo, trademark and goodwill are also non-tangible assets.

4.2) Types of assets w.r.t tenure:

4.2.1) Short-term assets:

Those assets whose life is short with-in one year is known as short-term assets. For example, inventory, prepaid expense and cash are short-term assets.

4.2.2) Long-term assets:

Those assets whose life is long and more than one year are considered to be long term assets. For example, car, investment held for more than one year, furniture, building and land are considered to be long-term assets.

Question no.05

What are types of liabilities according tenure?

5.1) Types of liabilities according to tenure:

5.1.1) Short-term liabilities:

Those liabilities whose life is short with-in one year and to be paid shortly are short-term liabilities. For example, electricity bills, house rent, taxes are short-term liabilities.

5.1.2) Long-term liabilities:

Those liabilities whose life is long and more than one year is long-term liability. For example, bank loan, car rent pending and instalments for more than one year are long-term liabilities.

5.2) Types of liabilities according to category:

5.2.1) Tangible liability:

Those liabilities which physically exist and we can touch are known as tangible liabilities. Paying rent of car, loan from bank, house on rent are the examples of tangible liability.

5.2.2) Non-tangible liability:

Those liabilities which physically not exist and we cannot touch them are non-tangible liabilities. For example, if have taken copyright of article for my website for a specified duration, it is non-tangible liability. In the same way, patent allowance for a specified time period is non-tangible liability.

THE END