**Assignment No. 1**

**Course: Accounting and Finance Due date: 15-09-2022**

**Instructions:** Please submit your assignment in both hard and soft form within the due date.

**Question No. 1**

Give the answers to the following questions.

1. Describe the nature of the financial statements. Explain the role of generally accepted accounting principles in this process.
2. Illustrate and explain a balance sheet. Define the terms assets, Liabilities, and owner’s equity, and discuss the basic accounting principles relating to asset valuation.
3. What is the statement of cash flows? Distinguish among operating, investing, and financing activities.
4. Explain the importance of adequate disclosure.
5. Explain the concept of financial statement articulation.
6. Define proprietorship, partnership, and the corporation as forms of business organization, and illustrate the effect of the form of organization on the presentation of owner’s equity in the financial statements.
7. Explain accounting equation and illustrate the effects of business transactions upon this equation and balance sheet.
8. What is income statement? Emphasizing the nature of revenue and expenses.

**Question No. 2**

The balance sheet items for The City Butcher (arranged in alphabetical order) were as follows at July 1, 2011. (You are to compute the missing figure for Retained Earnings.)

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During the next few days, the following transactions occurred:

**July 4** Additional capital stock was sold for $30,000. The accounts payable were paid in full.

(No payment was made on the notes payable or salaries payable.)

**July 5** Equipment was purchased at a cost of $6,000 to be paid within 10 days. Supplies were

purchased for $1,000 cash from a restaurant supply center that was going out of business. These

supplies would have cost $2,000 if purchased through normal channels.

**Instructions**

1. Prepare a balance sheet at July 1, 2011.
2. Prepare a balance sheet at July 5, 2011, and a statement of cash flows for July 1–5. Classify the payment of accounts payable and the purchase of supplies as operating activities.
3. Assume the notes payable do not come due for several years. Is The City Butcher in a stronger financial position on July 1 or on July 5? Explain briefly.

**Question No. 3**

Six transactions of Brigal Company, a corporation, are summarized below in equation form, with each of the six transactions identified by a letter. For each of the transactions **(a)** through **(f)** write a separate statement explaining the nature of the transaction. For example, the explanation of transaction **(a)** could be as follows: Purchased furniture for cash at a cost of $800.

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