



Provincial Department of Education-Sabaragamuwa

Subject : Business and Accounting Studies

Week:07th June -11th June 2021

Grade : 10

Prepared by : Educational Zone - Dehiowita

Lesson 05 : Accounting Equation

Construct the accounting equation when the initial balances are given.

Here the initial balances must first be entered into the accounting equation.

If the equity is not given , it must be calculated according to the following equation.

Equity = Assets - liability

Study the following example

The following balances were extracted as at 01st May 2021 from Manjula's business.

Cash Rs. 100,000, Bank loan Rs. 50,000, Machine Rs. 200,000 ,Stock 25,000 , Creditors Rs. 100,000
Debtors Rs. 75,000

The following transactions Occurred in the first week of August 2021.

1. Purchased goods at Rs. 50,000 to sell.
2. Paid Rs.25,000 to creditors.
3. Sold goods which were purchased at Rs. 60,000 for Rs. 80,000
4. Received Rs. 40,000 from debtors.
5. Settled Rs. 20,000 of the bank loan.
6. Sold goods at Rs. 50,000 on credit basis. These goods had been purchased at 30,000
7. Paid Rs. 8,000 as the monthly rent of the business.
8. Purchased machine at Rs.100,000 for the use of business.
9. Manjula withdrew goods at 10,000 for his private use
10. Purchased goods at Rs. 100,000 on credit basis.

The impact of the above transactions to the accounting equation are shown below

Equity = Assets – Liability

Rs. 250,000 = Rs400,000 + Rs.150,000

Assets = Equity + Liability

Machine	Stock	Debtors	Cash	Capital	Creditors	Bank loan
+200,000	+25,000	+75,000	+100,000	+250,000	+100,000	+50,000
1)	+50,000		-50,000			
2)			-25,000		-25,000	
3)	-60,000		+80,000	+20,000		
4)		-40,000	+40,000			
5)			-20,000			-20,000
6)	-30,000	+50,000		+20,000		
7)			-8,000	-8,000		
8)+100,000			-100,000			
9)	-10,000			-10,000		
10)+100,000					+100,000	

Study from page 61 to page 63 in your text book.