



Provincial Department of Education-Sabaragamuwa

Subject : Business and Accounting Studies

Week: 21st June - 25th June 2021

Grade : 10

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Lesson 05 : Situations that change the equity.

The following transactions affect to change the equity of the business.

- **Introduction of additional capital**

The owner has to invest cash or other assets according to the needs of the business. It increases the Owner's equity.

- **Drawings**

The owner may withdraw money or other assets from the business for his personal use. This is called drawings. It decreases the owner's equity.

- **Income** – It increases owner's equity.

- **Expenses**- It decreases owner's equity.

The owner's equity can be calculated as follows as at 31st of December 20xx

Capital (01/01/20xx)	xxxx
+Additional capital	xxx
+ Income	<u>xx</u>
	xxxxx
(-)Expenses	(xx)
(-)Drawings	<u>(xx)</u>
Capital 31/12/20xx	<u>xxxx</u>

Following are some details of Kavinda's Business for the year 2020

Capital (01/01/2020) Rs. 150,000

Cash invested by the owner on 05th August Rs. 25,000.

Income for the year Rs. 58,000

Expenses for the year Rs.32,000

Calculate owner's equity as at 31st December 2020

Capital (01/01/2020)	150,000
+Additional capital	25,000
Income	<u>58,000</u>
	233,000
(-)Expenses	<u>(32,000)</u>
Capital 31/12/20xx	<u>201,000</u>

The following details are extracted from Dhammika's Business

Capital (as at 01/01/2020) 100,000

Income for the year 120,000

Expenses for the year 72,000

Drawings Rs.30,000

Additional capital 50,000

Calculate the owner's equity as at 31st December 2020. Complete the text book activity 03 (page 68)