



Department of Education, Sabaragamuwa/weekly school

week- June 5

Subject-Accounting

Grade-12

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Competency 2.0 – Presents transactions and events of a business through an accounting equation.

Competency Level 2.1- Evaluates how the total assets of a business agree with its total of liabilities and equity.

From the following transactions select the one that will result in a decrease in equity as well as assets.

- i. Obtaining a bank loan of Rs.200,000.
- ii. Purchasing a stock of goods for cash Rs.50,000.
- iii. Drawings by the owner worth Rs.10,000.
- iv. Payment of Rs.30,000 as part settlement of bank loan.
- v. Purchasing goods worth Rs.40,000 on credit.

Of the following statements except for one the rest are correct. **Select the incorrect statement.**

- i. Where there are no external parties contributing resources to the business the accounting equation is “Assets = Equity”.
- ii. A business is a separate entity distinct from its owners and other businesses.
- iii. The money measurement concept states that only changes in the monetary values of assets are recorded.
- iv. Whenever there is a change in the assets of a business there will be a corresponding increase or decrease in equity.
- v. The changes in a business’ liabilities is affected by an impact on its assets and equity.