



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.

The investment of Janithya on January 01, 2017 to commence a business and the dual impact of the transactions during the first week is shown below as an equation.

						(Rs.)
	Transaction	Assets	=	Equity	+	Liabilities
(i)	Land & Buildings	+5,000				
	Motor vehicle	+2,000				
	Cash	+1,000	=	8,000		
(ii)	Cash	-500				
	Inventory	+500	=	0		
(iii)	Office equipment	+300				
	Cash	-300	=	0		
(iv)	Cash	+800	=			800 (Bank loan)
(v)	Cash	-200	=	-200 (Equity)		

Requirement:

1. Explaining each of the above transactions in details with values.
2. Showing the totals of all Assets, Liabilities and Equity at the end of the first week.

In the following statements mark (/) if *correct* or (x) if it is *incorrect*.

- i. The business entity concept must be taken into consideration in preparing accounts. ()
- ii. A business must pay the personal expenses of the owner. ()
- iii. Assets change as a result of the impact of equity and liabilities. ()
- iv. The owner cannot provide capital after the initial capital input. ()
- v. When a person owns several businesses, it is appropriate to maintain accounts for all together as a single entity. ()