



Department of Education, Sabaragamuwa/weekly school

week- September 3

Subject-Accounting

Grade-12

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

Competency Level 2.3 – Prepares Income statement and statement of Financial position using accounting equation.

(03) Select the **incorrect** statement from the following:

- (i) The Statement of Financial Position shows the assets, liabilities and equity as at a specific date.
- (ii) When arriving at the profit from Net Assets it is necessary to deduct the drawings.
- (iii) The main purpose of the Income Statement is to calculate the financial results.
- (iv) It is possible to prepare an Income Statement from the transactions recorded to show the changes in equity in the accounting equation.
- (v) The information in the Income Statement is necessary to prepare the Statement of Financial Position.

(04) In the following statements mark (✓) if it is **correct** and (x) if **incorrect**.

1. The accounting equation shows the assets of the business and the connection with its ownership. ()
2. When calculating the profit/loss from the Net Assets, the opening net assets and drawings are deducted from the closing net assets. ()
3. When preparing the Income Statement, the matching concept should be considered. ()
4. By recording how business transactions impact the accounting equation it is possible to prepare a Statement of Financial Position. ()
5. Cash drawings and additional capital, do not impact the profit or loss ()