Dep Incation, Sabaragamuwa Province/ Weekly School Department of Education, Sabaragamuwa Province/ Weekly School Department

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 elements in the accounting equation

- 1.Assets 2.Liabilities
- 3.Equity
 - If the resources of the business have been invested only by the owner, the accounting equation is,

Assets = Equity

• When outside persons and owners have invested in the resources of the business, the accounting equation becomes,

Assets = Equity + Liabilities

<u>Liabilities –</u>

The outflow of resources in the present as a result of a past transaction is known as a current liability.

Questions

- 1.Name the characteristics of an asset of the business.
- 2.Explain the "business entity concept".