

IS 1210 FINANCIAL ACCOUNTING

Level 1, Semester 2.

184142R

Assignment No. 1

01) Assets = Liabilities + Equity

Importance of accounting equation

- It helps to measure how profitable a business is.
- Accounting equation expresses your business's assets, liabilities and owner's equity in detail which is the basic form of your company's balance sheet.
- It is an important tool for investors or lenders to assess company's financial situation and to take decision on behalf of it.

02)

Question	Assets =	Liabilities +	Equity
a	+ 35000 (Cash) + 8000 (Goods) + 7000 (Furniture)		+ 50000 (Capital)
b	+ 3000 (Furniture)	+ 3000 (Creditors)	
c	-35000 (Cash) + 35000 (Goods)		
d	+ 400000 (Cash) -30000 (Goods)		+ 370000 (Income)
e	+ 30000 (Goods)	+ 30000 (Creditors)	
f	+ 50000 (Debtors) -30000 (Goods)		+ 20000 (Income)
g	-50000 (Debtors) +49500 (Cash)		-500 (discount paid)
h	-29700 (Cash)	-30000 (Creditors)	+ 300 (Discount Received)

i	-1500 (Cash)	-1500 (Creditors)	
j	-1000 (Cash)		-1000 (drawings)
k	-500 (Goods)		-500 (drawings)
l	+ 15000 (Household Goods) -5000 (Cash)	+ 10000 (loan)	
m	-800 (Cash)	-500 (Loan)	-300 (Interest)
n	-500 (Goods)		-500 (goods Destroyed)
o	-500 (Cash)	+ 100 (salary outstanding)	-600 (Salary)
p	-2000 (Cash) + 2000 (Advance paid)		
q		+ 500 (Accrued Interest)	-500 (Interest)
r	+ 1000 (Cash)	+ 1000 (Advance Received)	
s	-400 (Furniture)		-400 (depreciation)
Total	+448600 =	+12600 +	+436000

03)

- Purchase inventory for cash Rs.100,000.
- Purchase inventory on credit Rs.50,000.
- Owner invested Rs.1000,000 capital for the business.
- Owner paid Rs.20,000 to the creditor.
- Owner withdraws Rs.5000 for his personal use.
- Bills payable paid by creditors.
- Accrued interest Rs.1000.
- Paid loan of Rs.100,000 by the extra revenue of Rs.200,000.