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| **PART A** | **Short item *(approx. 5 mins)*** |

# **Question 1**

**Describe** the accounting entity concept. (50 – 75 words)

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| The accounting entity concept is the fundamental basis of accounting that business enterprises are an existence separate from the personal finances of the owner. The business’s financial records/ books are kept separate from the personal ones of the owners. Financial records are recorded through the perspective of the business. The owner’s personal financial transactions are not recorded in the books of the business. |

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| **PART B Practical items *(approx. 10 mins)*** |

# **Question 2**

**Apply** accounting principles to classify the following accounts into the correct column in the table below.

* Accounts payable
* Patent
* Loan from BAD Bank
* Motor vehicle
* Electricity
* Capital

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| --- | --- | --- | --- | --- |
| **REVENUE** | **EXPENSE** | **ASSET** | **LIABILITY** | **OWNER’S EQUITY** |
|  | Electricity | Patent | Accounts payable | Capital |
|  |  | Motor vehicle | Loan from BAD Bank |  |
|  |  |  |  |  |

**Question 3**

**Apply** accounting principles to analyse the following transactions by completing a transaction analysis table.

Jan 1 A Pitt commenced business by depositing $50,000 in the business’s bank account.

Jan 12 Bought new furniture worth $1,000 from Furniture Traders on credit.

Jan 25 Borrowed $35,000 from ICL Bank.

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| **Date** | **Accounts Involved** | **Account type** | **Nature of A/c** | **Inc/Dec** | **Same or Opp to Nature** | **Debit** | **Credit** |
| Jan 1 | Cash at bank | Asset | Debit | Inc | Same | $50,000 |  |
|  | Capital | Owner’s Equity | Credit | Inc | Same |  | $50,000 |
| Jan 12 | Accounts payable – Furniture Traders | Liability | Credit | Inc | Same |  | $1,000 |
|  | Office furniture | Asset | Debit | Inc | Same | $1,000 |  |
| Jan 25 | Cash at bank | Asset | Debit | Inc | Same | $35,000 |  |
|  | Loan from ICL Bank | Liability | Credit | Inc | Same |  | $35,000 |
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| **PART C Self-assessment of your progress in Accounting *(approx. 5 mins)*** |

Rate your progress in Accounting on the continuum below by circling the most appropriate option.

If you have indicated that you are struggling with the subject (Options 1 or 2), please provide further information below.

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| **END OF DIAGNOSTIC TEST** |