**Task 2 for submission**

*Part A addresses* ***Unit Objective 1 – Comprehend accounting concepts, principles and processes relating to accounting and end-of-month reporting for a service business.*** *The cognitive verbs* ***describe and explain*** *are components of* ***comprehend*** *ie to show your comprehension of a concept, principle or process, you must describe and explain the concept, principle or process.*

**Part A**

1. In a 50 – 75 word paragraph, **describe** theStatement of Financial Position.

The Statement of Financial Position is a report detailing the business’ assets, liabilities and owner’s equity and their respective balances. As the balances of these accounts can change daily, the report is prepared and titled “as at” a particular date.

1. In a 50 – 75 word paragraph, **explain** the interrelationship of assets, liabilities and owner’s equity.

Assets minus liabilities are always equal to owner’s equity. In the same way, total assets will always be equal to liabilities plus owner’s equity. These three elements make the accounting equation and the equation will always remain in balance unless an error has occurred.

1. In a 100 – 150 word paragraph, **explain** the elements of the accounting equation and the Statement of Financial Position.

The Statement of Financial Position is a detailed expression of the accounting equation for a business at a certain point in time. It is a major report that lists the individual assets, liabilities and owner’s equity items of a business. The Statement of Financial Position can be presented in account form, which demonstrates the accounting equation in the form of A=L+OE. It can also be presented in the narrative form, which is presented in the form of A-L=OE. The narrative form is considered a more ‘readable’ version, and can be more easily adapted to show comparative figures for two accounting periods.

*Part B addresses* ***Unit Objective 2 - Apply accounting principles and processes relating to accounting and end-of-month reporting for a service business.***

**Part B**

Refer to text book page 114 ex 4.8.

You are required to **apply** accounting principles and processes for a service business to:

* prepare a Statement of Profit or Loss for the month ended 30 June and a Statement of Financial Position in narrative form at 30 June.

