



Q3. What is the basic accounting equation?

Answer :

The basic accounting equation is,

Assets = Liabilities + Capital

It means that all the monetary value of all assets of a firm are equal to the total claims, viz. owners and outsiders.

Q4. The realisation concept determines when goods sent on credit to customers are to be included in the sales figure for the purpose of computing the profit or loss for the accounting period. Which of the following tends to be used in practice to determine when to include a transaction in the sales figure for the period. When the goods have been:

- a. dispatched
- b. invoiced
- c. delivered
- d. paid for

Give reasons for your answer.

Answer : According to the realisation concept, revenue is recognised when an obligation to receive the amount arises. When the goods are invoiced, it is treated as the transfer of ownership of goods from the seller to the buyer and hence the revenue is recognised.

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