

### Chapter 3

- 1) What is an asset? State an example
- 2) State the expanded accounting equation for a sole proprietor.
- 3) State the effects on Assets, Liabilities and Owner's Equity for the following transactions
  - a) Lily Enterprise bought an equipment using a cheque.
  - b) Sally, the business owner, contributed her personal vehicle to the business
  - c) Laila Enterprise took a loan from the bank
  - d) Laila took goods from the business for her own use

## Answers

- 1) Resources owned or controlled by the business. Example: Equipment
- 2)  $\text{Assets} = \text{Liabilities} + (\text{Capital} + \text{Income} - \text{Expenses} - \text{Drawings})$
- 3) a) no effects      b) increase assets and increase owner's equity      c) increase assets, increase liability  
d) decrease assets, decrease owner's equity