

Nalanda College – Colombo 10

Unit Evaluation

Grade 10

Business & Accounting studies

Unit 05

ACCOUNTING EQUATION

- Answer all the questions
- Select the most suitable answer for the questions from 1 to 20

(1). Select the correct accounting equation

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|------------------------------|-----------------------------|
| 1) Assets=Equity-Liabilities | 2)Equity=Assets+Liabilities |
| 3)Assets=Equity+Liabilities | 3)Assets=Liabilities-Equity |

(2). Transaction which shows an increase in assets & equity

- 1) Salaries paid to employees of Rs 10 000
- 2) Owner invested additional capital of Rs 100 000
- 3) Owner withdrew Rs 10 000 cash for his personal use
- 4) Obtaining a bank loan of Rs 200 000

(3). Resources which obtained from an external party of a business

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|-----------|--------------|-------------|----------|
| 1) Equity | 2) Liability | 3) Heritage | 4) Asset |
|-----------|--------------|-------------|----------|

(4). A non-current asset of a business

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|--------------|----------|--------------|------------|
| 1) Bank loan | 2) Stock | 3) Furniture | 4) Debtors |
|--------------|----------|--------------|------------|

(5). Group of answers which shows non-current liabilities

- 1) Mortgage Loan/ Leasing/Bank loan
- 2) Creditors/Bank overdraft/Bank loan/Debtors
- 3) Creditors/Bank overdraft/Bills payable/Short term loan
- 4) Furniture/ Leasing/Investment/Debtors

(6). Factor that affect to an increase in equity

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|----------------------|-----------------------|-------------|---------------------|
| 1) Business expenses | 2) Additional Capital | 3) Drawings | 4) All of the above |
|----------------------|-----------------------|-------------|---------------------|

(7). Which of the following is not a characteristic of an asset

- 1) Inflow of future economic benefits to the business
- 2) Controlled by the business
- 3) Arose as a result past transaction or event
- 4) Outflow of resources at the time of repayment

(8). Accounting equation of Sarani's business as at 31.03 2019 was

Assets (Rs.) = Equity (Rs.) + Liability (Rs.)

+75 000 = + 60 000 + 15 000

If Sarani Invested Rs 10 000 as additional capital adjusted accounting equation will be

- 1) Rs.85 000 = Rs.70 000 + Rs.15 000
- 2) Rs.85 000 = Rs.60 000 + Rs.25 000
- 3) Rs.75 000 = Rs.50 000 + Rs.25 000
- 4) Rs.65 000 = Rs.60 000 + Rs.5 000

(9). Following equation shows how a business transaction affects an accounting equation

Assets (Rs.) = Equity (Rs.) + Liability (Rs.)

+10 000 = +10 000

Which transaction has been taken place as per the equation given above?

- 1) Owner withdrew Rs.10 000 from the business
- 2) Owner invested Rs.10 000 additional capital to the business
- 3) Business obtained a bank loan of Rs.10 000
- 4) Business incurred an expense of Rs.10 000

(10). Transaction which affects to a decrease in both assets and equity of the business

- 1) Investing Rs.25 000 additional capital to the business
- 2) Paid electricity expense of Rs.10 000
- 3) Received a rent income of Rs.10 000
- 4) Paid Rs.10 000 to a creditor

(11).Way of computing capital is

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|-------------------------|-------------------------|
| 1) Profit + Assets | 2) Assets +Liabilities |
| 3) Profit – Liabilities | 4) Assets – Liabilities |

(12).Out of the following statements made by grade 10 students what is the most appropriate statement related to accounting

- 1) Liabilities decreases due to expenses
- 2) Equity decreases due to drawings
- 3) Bank overdraft is an asset
- 4) Liabilities cannot be released

- Transactions of Tharaka’s business for the month of January 2018 are given below

A - Payment of Rs.2 000 worth of telephone chargers

B – Credit purchase of Rs.30 000 worth office equipment from Derana PLC for the business usage.

C – Credit sale of Rs.25 000 worth of stock to Samantha

D – Tharaka bought Rs.5 000 worth of stock for her personal usage

(13).Effect from transaction A to the accounting equation,

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|-------------------------------------|--|
| 1) Assets increase, Equity decrease | 2) Assets decrease, Liability increase |
| 3) Assets decrease, Equity decrease | 4) Assets decrease, Liability decrease |

(14).Effect from transaction B to the accounting equation,

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|--|--|
| 1) Assets Increase, Liability Increase | 2) Assets Increase, Equity Increase |
| 3) Assets decrease, Liability decrease | 4) Assets decrease, Liability decrease |

(15).Transaction C denotes,

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|--------------------|----------------------|
| 1) A cash sale | 2) A credit sale |
| 3) A cash purchase | 3) A credit purchase |

(16).Some of the details of Ruchra’s business are given below

Rs.

Additional capital invested during the year 2018	50 000
Expenses during the year	25 000
Income during the year	60 000
Equity as at 31.12.2018	225 000

Equity of Ruchira’s business as at 01.01 2018 is?

1) Rs.310 000 2) Rs.275 000 3) Rs.140 000 4) 335 000

• Fill in the blanks

(17).Assets = Equity + Liabilities

Rs. = Rs.120 000 + Rs.100 000

(18).Liabilities = Assets - Equity

Rs. 25 000 = Rs.160 000 - Rs.

(19). Equity = Assets - Liabilities

Rs. 25000 = Rs. - Rs. 25 000

(20). Assets = Equity + Liabilities

Rs.300 0000 = Rs. + Rs.50 000

Part II

(1) 1) Define the term “accounting equation”

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2) Following are the balances of Samithu's business as at 01.01.2018

	Rs.
Motor vehicles	250 000
Stock	25 000
Cash	15 000
Bank Loan	75 000
Creditors	30 000
Capital	185 000

Transactions occurred during the month are given below

1. Owner invested Rs.65 000 as additional capital
2. Purchased Rs.50 000 worth of stock on credit basis
3. Paid Rs.25 000 to creditors
4. Owner invested his Rs.40 000 worth of motorbike to the business
5. Paid insurance expense of Rs.10 000
6. Sale of Rs.35 000 of inventory for Rs.45 000
7. Received Rs.18 000 as rent income
8. Owner paid his personal electricity bill of Rs.5000 from the business
9. Repayment of Rs.10 000 worth of bank loan
10. Cash sale of Rs.50 000

Required

- i. Record the above transactions with their impact in the given format

Transaction No	Assets			Equity	Liabilities	
Opening Balance						
Closing Balance						

ii) Compute the following balances as at 31.01.2018

- 1) Total assets = Rs.
- 2) Total Equity = Rs.
- 3) Total Liabilities = Rs.
- 4) Cash balance = Rs.

(2). 1) Write 2 factors which affect owners equity

- 1)
- 2)

2) Following table shows how the transactions of Jayani's business for the month of April has affected the accounting equation

Date	Assets =				Equity + Liabilities	
	Motor Vehicle	Stock	Debtors	Cash	Equity	Creditors
Balance as at						
01.04	+500000	+200000		+200 000	+700000	+200000
03.04				+300 000	+300 000	
08.04		+50 000				+50 000
12.04				-50 000		-50 000
17.04	+200 000				+200 000	
20.04		-10 000			-10 000	
25.04		-30 000		-45 000	+15 000	
27.04				+20 000	+20 000	
28.04				-15 000	-15 000	
29.04		-50 000	+60 000		+10 000	
30.04			-10 000	-10 000		

❖ Assume and describe the above transactions with values, corresponding to the given dates

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3).Compute the following balances of Jayani’s business as at 30.04.2018 from the above information

- 1) Non-current assets -
- 2) Current assets -
- 3) Total Liabilities -
- 4) Equity –

(3).Following are some information relevant to Samithu’s business for the year 2018

	Rs.
Capital as at 01.01 2018	250 000
Income earned during the year	60 000
Expenses incurred during the year	25 000
Additional capital invested by the owner	90 000
Drawings made during the year	10 000

Calculate the owner’s equity as at 31.12 2018

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2) If the income of the Samithu’s business was increased by Rs.40 000 calculate the owner’s equity

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3) Briefly explain the following terms

- 1) Bank overdraft

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2) Non-current assets

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3) Current liabilities

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