**XXX Secondary School**

**20xx-20xx**

**Business, Accounting and Financial Studies**

**Basics of Accounting: Accounting Equation – Flowchart**

Name：\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Class：\_\_\_\_\_ Class No：\_\_\_\_ Date：\_\_\_\_\_\_\_\_\_



**Key Steps for Analyzing the Effects of Business Transactions on the Accounting Equation**

1. identifying the items (accounts) and amount to be affected by the transaction
2. double-checking which items (accounts) are to be affected at a time (at least two items)
3. marking the effects of the transaction (increased, decreased or unchanged) on the relevant items of the accounting equation
4. double-checking if the accounting equation remains balanced after marking the effects

**Flowchart for the effects on the Accounting Equation**

Example 1) The owner introduced $10,000 cash into the business.

 Business Transaction

1. - (2) Items (Accounts) Amount

 \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_

 \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_

(3) Assets = Capital + Liabilities

 (↑/↓) (↑/↓) (↑/↓)

(4) Total of the Accounting Equation => Increased / Decreased / Unchanged

(remained balanced)

Example 2) The company paid electricity of $6,000 in cash.

Business Transaction

1. - (2) Items (Accounts) Amount

 \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_

 \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_

(3) Assets + Expenses + Drawings = Capital + Revenues + Liabilities

 (↑/↓) (↑/↓) (↑/↓) (↑/↓) (↑/↓) (↑/↓)

(4) Total of the Accounting Equation => Increased / Decreased / Unchanged

 (remained balanced)

**\*\* Reminders\*\***

 **Both sides Increased => the total of the Accounting Equation \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **Both sides Decreased => the total of the Accounting Equation \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **Increased and Decreased on the same side => the total of the Accounting Equation \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Final checkpoint: The accounting equation always remains balanced!**

\* Teachers can decide whether to mention ledger accounts according to students’ learning progress.

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Name：\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Class：\_\_\_\_\_ Class No：\_\_\_\_ Date：\_\_\_\_\_\_\_\_\_

 

**Key Steps for Analyzing the Effects of Business Transactions on the Accounting Equation**

1. identifying the items (accounts) and amount to be affected by the transaction
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3. marking the effects of the transaction (increased, decreased or unchanged) on the relevant items of the accounting equation
4. double-checking if the accounting equation remains balanced after marking the effects

**Flowchart for the effects on the Accounting Equation**

Example 1) The owner introduced $10,000 cash into the business.

Business Transaction

1. – (2) Items (Accounts) Amount

 Assets (Cash) ↑$10,000

 Capital (Capital) ↑$10,000

(3) Assets = Capital + Liabilities

 (↑/↓) (↑/↓) (↑/↓)

(4) Total of the Accounting Equation => Increased / Decreased / Unchanged

 (remained balanced)

Example 2) The company paid electricity of $6,000 in cash.

Business Transaction

 

1. - (2) Items (Accounts) Amount

 Assets (Cash) ↓$6,000

 Expenses (Electricity) ↑$6,000



(3) Assets + Expenses + Drawings = Capital + Revenues + Liabilities

 (↑/↓) (↑/↓) (↑/↓) (↑/↓) (↑/↓) (↑/↓)

 

(4) Total of the Accounting Equation = Increased / Decreased / Unchanged

 (remained balanced)

**\*\* Reminders\*\***

 Both sides Increased => the total of the Accounting Equation Increased

 Both sides Decreased => the total of the Accounting Equation Decreased

 Increased and Decreased on the same side => the total of Accounting Equation Unchanged

**Final checkpoint: The accounting equation always remains balanced!**