**XXX Secondary School**

**20xx-20xx**

**Business, Accounting and Financial Studies**

**Basics of Accounting: Accounting Equation - Classwork Worksheet 2**

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

**Question 1 Please follow the questions and complete the flowchart.**

1. What is the Accounting Equation?
2. How does profit/loss affect capital?
3. How will capital be affected if the owner withdraws resources from the business?
4. Are there any other ways to express the accounting equation?
5. Can we rearrange the accounting equation?

Flowchart of Accounting Equation

(a) \_\_\_\_\_\_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_\_\_\_\_\_ + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

(c)

(b)

 Revenues > Expenses = \_\_\_ Capital \_\_ Drawings ↓ Capital \_\_

 Revenues < Expenses = \_\_\_ Capital \_\_ Drawings ↑ Capital \_\_

 

(d) \_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_\_\_+ ( \_\_\_\_\_\_\_\_ – \_\_\_\_\_\_\_\_\_\_) – \_\_\_\_\_\_\_\_\_ + \_\_\_\_\_\_\_\_\_

 

(e) \_\_\_\_\_\_\_\_ + \_\_\_\_\_\_\_\_\_\_+ \_\_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_\_\_\_ + \_\_\_\_\_\_\_\_\_+ \_\_\_\_\_\_\_\_\_

**Question 2 Distinguish between credit sales/ credit purchases on Assets and Goods**

1. A furniture company sells a sofa of $5,000 to a customer on credit.

As a sofa is a good for resale in a furniture company, selling a sofa to a customer means a sale.

Effects: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_; \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. A furniture company sells a motor van of $2,300 on credit.

As a motor van is a non-current asset in a furniture company, selling a motor van means that there is a decrease in assets.

Effects: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_; \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. A furniture company buys office furniture of $9,300 on credit for resale.

As office equipment is a good for resale in a furniture company, buying furniture means a purchase.

Effects: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_; \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. A furniture company buys office furniture of $11,300 on credit for company use.

As the company buys the office furniture for its daily operation use, the office furniture is a non-current asset of the company. Buying it means that there is an increase in assets.

Effects: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_; \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Note:**

Sell goods on credit = \_\_\_\_\_\_\_\_\_\_\_\_; \_\_\_\_\_\_\_\_\_\_\_\_\_

Sell non-current assets on credit = \_\_\_\_\_\_\_\_\_\_\_\_; \_\_\_\_\_\_\_\_\_\_\_\_\_

Purchase goods on credit =\_\_\_\_\_\_\_\_\_\_\_\_; \_\_\_\_\_\_\_\_\_\_\_\_\_

Purchase non-current assets on credit =\_\_\_\_\_\_\_\_\_\_\_\_; \_\_\_\_\_\_\_\_\_\_\_\_\_

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**Introduction to Accounting: Accounting Equation - Classwork Worksheet 2**

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

**Question 1 Please follow the questions and complete the flowchart.**

1. What is the Accounting Equation?
2. How does profit/loss affect capital?
3. How will capital be affected if the owner withdraws resources from the business?
4. Are there any other ways to express the accounting equation?
5. Can we rearrange the accounting equation?

Flowchart of Accounting Equation

(a) Assets = Capital + Liabilities

 Revenues Expenses Drawings

(c)

(b)

 Revenues > Expenses = Profit Capital ↑ Drawings ↓ Capital ↑

 Revenues < Expenses = Loss Capital ↓ Drawings ↑ Capital ↓

 

(d) Assets = Capital + (Revenues – Expenses) – Drawings + Liabilities

 

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

**Question 2 Distinguish between credit sales/ credit purchases on Assets and Goods**

1. A furniture company sells a sofa of $5,000 to a customer on credit.

As a sofa is a good for resale in a furniture company, selling a sofa to a customer means a sale.

Effects: Assets↑$5,000 (Trade Receivables); Revenues ↑ $5,000 (Sales)

1. A furniture company sells a motor van of $2,300 on credit.

As a motor van is a non-current asset in a furniture company, selling a motor van means that there is a decrease in assets.

Effects: Assets ↑ $2,300 (Other Receivables); Assets ↓ $2,300 (Motor van)

1. A furniture company buys office furniture of $9,300 on credit for resale.

As office furniture is a good for resale in a furniture company, buying furniture means a purchase.

Effects: Expenses ↑ $9,300 (Purchases); Liabilities ↑ $9,300 (Trade Payables)

1. A furniture company buys office furniture of $11,300 on credit for company use.

As the company buys the office furniture for its daily operation use, the office furniture is a non-current asset of the company. Buying it means that there is an increase in assets.

Effects: Assets ↑ $11,300 (Office Furniture); Liabilities ↑ $11,300 (Other Payables)

**Note:**

Sell goods on credit = Assets ↑; Revenues↑

Sell non-current assets on credit = Assets ↓; Assets ↑

Purchase goods on credit = Expenses ↑; Liabilities ↑

Purchase non-current assets on credit = Assets↑; Liabilities ↑