

Subject	: Accounting	Name : .....	
Topic	: Accounting Equation	Class : 8A / 8B	

1. For each transaction below, the items involved have been identified. You are to classify these items into the appropriate accounting element(s) and determine whether these transactions increase or decrease the accounting element(s).

Item	Transaction	In the Books of business		
		Items Involved	Acc Element	Inc / Dec
a)	Angel started a business with \$7,500 of cash which was obtained by taking a bank loan.	Bank Loan		
		?		
b)	The business bought fixtures & fittings of \$2,000 by cash.	?		
		Cash in Hand		
c)	The business bought printing machine of \$5,000 on credit.	Trade Payables		
		?		
d)	Angel paid \$2,500 as repayment of her debt (see item c)	?		
		Cash in Hand		
e)	Angel received a car worth \$7,000 to be used for delivering goods to customer.	Vehicle		
		?		

2. For each transaction below, identify the accounting element(s) affected and show the effect (by a positive sign for an increase and a negative sign for a decrease).

Item	Transaction	Effect on		
		Asset	Liability	Capital
a)	Proprietor invested \$15,000 cash, an equipment worth \$10,000 and a \$5,000 computer to start the business.			
b)	Purchased a car on credit for \$8,000.			
c)	Proprietor invest land that was worth \$17,500 to be used by business.			
d)	Took a loan from Bank Central Jakarta to purchase a machine of \$20,000.			
e)	Issued a cheque of \$3,000 as a part of repayment for item b.			
f)	Sold a computer of \$5,500 on credit			
g)	Issued a \$4,000 cheque to purchase a computer.			
Item	Transaction	Effect on		

		Asset	Liability	Capital
h)	Received a cheque from customer as a repayment of \$3,500 debt.			
i)	Bought vehicles \$25,000 of which a deposit of \$8,000 was paid by cheque. The remaining amount is to be repaid next month.			
j)	Proprietor received a motorcycle which was worth \$10,000 as a winning prize of a local competition. He will use it for his own personal use.			

3. Show the effects of the following transactions on the elements of the accounting equation.

Item	Transaction	Effect On					
		Asset		Liability		Capital	
		+	-	+	-	+	-
a)	Paid creditors \$750 by cheque						
b)	Owner invested his own equipment \$6,000 into the business.						
c)	Obtained \$10,000 loan from the owner's family.						
d)	Bought machinery costing \$500 by cash.						
e)	Paid creditors \$1,250 by cheque as a repayment of \$2,500 debt.						
f)	Bought a \$4,000 worth of inventory. The down payment of \$500 was paid by cash. The remaining amount will be paid in two weeks.						
g)	The owner received \$3,000 cash as a repayment of a \$2,750 debt, \$250 is the interest.						
h)	Owner repaid some of his loan to his family. He paid \$2,500 by cash and he also gave his \$6,000 of equipment.						
i)	Bought a \$6,000 car on credit.						
j)	One employee took a loan from the owner worth \$1,500. The loan will be repaid next month.						
k)	A \$2,000 machine was purchased by cheque.						
l)	There was a fire in the warehouse. Goods of \$5,000 were lost due to fire.						