3055 BA SANGAM COLLEGE

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Week 11
LESSON NOTES

School: Ba Sangam College   Year: 9   Name:_____

Subject: Commercial Studies

Strand 2	Business Information 1
Sub Strand 2.3	The Accounting Process
Content Learning Outcome 2.3.2	Apply the accounting concepts to analyse transactions in order to prepare financial accounts

The Basic Accounting Equation

ASSETS = LIABILITIES + PROPRIETORSHIP
OR
LIABILITIES = ASSETS - PROPRIETORSHIP
OR
PROPRIETORSHIP= ASSETS - LIABILITIES

Key Terms

Debtor- are people who owe money to the business they are also known as Accounts receivable

Creditors- are people to whom the business owes money to, they are also known as accounts payable.

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The following points must be noted when we are using a BASIC ACCOUNTING EQUATION:

1.   All REVENUES or INCOME received will increase CAPITAL
2.   All EXPENSES paid will decrease CAPITAL
3.   Any ADDITIONAL CAPITAL contributed by the proprietor/owner will increase CAPITAL and the respective asset that has contributed
4.   Any DRAWINGS will decrease CAPITAL and either CASH or STOCK depending on whether CASH or GOODS were taken by the owner.
5.   If STOCK/INVENTORY is given, all PURCHASE/SALE of GOODS will increase/decrease STOCK respectively unless otherwise stated. If no stock/inventory is given, all purchases will be treated as expenses and will decrease capital.
6.   The nature of the business has a significant effect on how each transaction affects the equation and you shall learn this through practice.

CASH AT BANK SITUATION
When there is CASH AT BANK given. That is, when there is money in the bank, the following have to be noted with those given above:

1.   All CASH OUTFLOWS **will decrease CASH AT BANK**
2.   All CASH INFLOWS will **increase CASH AT BANK**

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Activity

1. Express the Accounting Equation **A=L+P** in **two** other ways.
    i. _____
    ii. _____   **(2 marks)**

2.Calculate the following elements

	Assets	=	Liabilities	+	Proprietorship	
a.	$20 000	=	1 000	+	_____	
b.	$22 000	=	3 000	+	_____	
c.	_____	=	12 000		+	60 000
d.	$90 000	=	_____		+	80 000
e.	$200 000	=	_____		+	120 000
f.	$14 000	=	2,000	+	_____	
g.	_____	=	6 500		+	18 000
h.	$25500	=	_____		+	10500

(8 marks)

3.   State the difference between debtor and creditors
_____
_____
_____
_____
_____
_____(2 marks)

4. State the type of account affected as **Assets, Expenses, Liabilities, Proprietorship and Revenue.**
    i.   Sales   _____
    ii. Loan   _____
    iii. Cash at Bank   _____

(3 marks)

THE END