

**SEMESTER SPRING 2014  
FINANCIAL ACCOUNTING (MGT101)  
ASSIGNMENT # 02**

**DUE DATE: 22<sup>nd</sup> July 2014**

**MARKS: 10**

**TOPIC TO BE TESTED:**

- Recognizing changes in accounting equation and its effect on financial statements

**LEARNING OBJECTIVES:**

- To understand, recognize and record changes in the accounting equation due to the transaction activities.
- To prepare financial statements i.e. Balance Sheet

**Question:**

Following data is available for a business concern on June 30, 2013:

Items	Rs.
Accounts Payable	25,000
Cash	45,000
Factory Building	250,000
Equipment	74,000
Contributed Capital	85,000
Notes Payable	2,500
Land	222,000
Supplies	4,500
Retained Earnings	483,000

Further activities have been carried in July 2013:

1. Received **Rs.300,000** in cash against **3,000** shares
2. Local bank has approved a loan worth **Rs.15,000** that is payable on June 30, 2014
3. Paid **Rs.33,000** in cash and signed a one-year note for the balance against purchase of factory building worth **Rs.83,000**
4. An equipment has been purchased on cash that costs **Rs.45,000**
5. Purchased supplies on account worth **Rs.45,000**

**Required:**

1. Analyze each transaction of July in order to determine its effect on the accounting equation.
2. Prepare T- Accounts and find ending balance
3. Prepare Balance Sheet using T account format at July 31, 2013

For **requirement no.1** follow the format provided below in example.

Example: Purchased a piece of land on account that costs **Rs.50, 000**

Assets = Liabilities + Shareholders' Equity								
Assets				Liabilities			Shareholders' Equity	
Land				Accounts Payable				
+ 50,000				+ 50,000				

**Solution:****Req. 1**

	Cash	Factory Building	Equipment	Supplies	=	Accounts Payable	Note Payable	Contributed Capital
1	+ 300,000							+ 300,000
2	+ 15,000					+ 15,000		
3	- 33,000	+83,000					+ 50,000	
4	- 45,000		+ 45,000			No Change		
5				+ 45,000		+ 45,000		
<b>Total</b>	<b>+ 237,000</b>	<b>+ 83,000</b>	<b>+ 45,000</b>	<b>+ 45,000</b>		<b>+ 60,000</b>	<b>+ 50,000</b>	<b>+ 300,000</b>

**Req. 2****Cash A/C**

Op. Bal.	45,000	
1). Contributed Capital	300,000	
2). Accounts Payable	15,000	
		3). Factory Building 33,000
		4). Equipment A/C 45,000
		Balance C/f <b>282,000</b>
Total	Rs. 360,000	Total Rs. 360,000

**Factory Building A/C**

Op. Bal.	250,000	
3). Cash	33,000	
3).N. payable	50,000	
		Bal. C/f <b>333,000</b>
Total	Rs. <b>333,000</b>	Total Rs. <b>333,000</b>

**Equipment A/C**

Op. Bal.	74,000	
4). Cash A/c	45,000	Bal. C/f <b>119,000</b>
Total	Rs. <b>119,000</b>	Total Rs. <b>119,000</b>

**Supplies A/C**

Op. Bal.	4,500	
5). Account Payable	45,000	
		Bal. C/f <b>49,500</b>
Total	Rs. <b>49,500</b>	Total Rs. <b>49,500</b>

**Land A/C**

Op. Bal.	222,000	
		Bal. C/f <b>222,000</b>
Total	Rs. <b>222,000</b>	Total Rs. <b>222,000</b>

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### Accounts Payable A/C

	Op. Bal.	25,000
	2). Cash A/c	15,000
Bal. C/f	5). Supplies	45,000
Total Rs. <b>85,000</b>	Total Rs. <b>85,000</b>	

### Notes Payable A/C

	Op. Bal.	2,500
	3) Factory Building	50,000
Balance C/f		<b>52,500</b>
Total Rs. <b>52,500</b>	Total Rs. <b>52,500</b>	

### Contributed Capital A/C

	Op. Bal.	85,000
	1). Cash A/C	300,000
Balance C/f		<b>385,000</b>
Total Rs. <b>385,000</b>	Total Rs. <b>385,000</b>	

### Retained Earnings A/C

	Op. Bal.	483,000
Balance C/f		<b>483,000</b>
Total Rs. <b>483,000</b>	Total Rs. <b>483,000</b>	

**Req. 3****Balance Sheet**

At July 31, 2013

<b>Assets</b>		<b>Liabilities &amp; Shareholder's Equity</b>	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash	282,000	Accounts Payable	85,000
Purchased supplies	49,500	Note Payable	52,500
Total Current Assets	331,500	Total Current Liabilities	137,500
<b>Fixed Assets</b>		<b>Shareholder's Equity</b>	
Land	222,000	Contributed Capital	385,000
Equipment	119,000	Retained earnings	483,000
Factory Building	333,000		
Total Fixed Assets	674,000	Total Stockholder's Equity	868,000
<b>Total Assets</b>	<b>1,005,500</b>	<b>Total Liabilities and Shareholder's equity</b>	<b>1,005,500</b>