**Tauira Name:**

**Module 5: Introduction to Small Business Accounting**

**Assessment 1: The Accounting Equation**

**Assessment Handout and Marking Schedule**

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### **Assessment 1: The Accounting Equation**

# Learning Outcomes Assessed

1. Record transactions using the accounting equation concept

# Instructions

You will use the accounting equation to analyse four sets of transactions for a fictitious business (Harry Holmes Painters and Decorators). An example of what is expected of you, along with a brief introduction to the business being analysed, is provided on the attached template for you.

You must take care to ensure that:

* Each item is correctly labelled (e.g. bank account, equipment, drawings etc);
* The figures from each transaction are continued through to the next transaction;
* The totals are correctly calculated; and
* Total Assets = Total Liabilities + Total Equity.

**Note** that each set of transactions belongs to the same case study, and therefore all figures need to be continued through to the next set of transactions.

***Helpful Tip: Refer to the example in the Activities Workbook***

An example of what is required by you is given in Activities Workbook 5. Activities 2 & 3, which both relate to ‘Paika’sPukapuka’ demonstrate how this assessment should be completed.

When looking at this example, pay particular attention to the way Owners’ Equity is shown. The amount of ‘Initial Capital’ does not change throughout the example.

Also note that ‘Drawings’ is shown as a negative amount.

**The Accounting Equation – Template for Tauira Answers**

You will use the accounting equation to analyse four sets of transactions for a fictitious business.The example of what is expected of you is shown again below, along with a brief introduction to the business being analysed.

**Introduction and Examples**

**Harry Holmes Painters and Decorators**

Harry Holmes is a painter who is in the process of setting up his own business – Harry Holmes Painters and Decorators. Harry knew how important it was for the business to have a separate bank account, so he opened up a new account. He deposited his initial contribution to the business of $4000 into this account.

This can be shown using the accounting equation as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | **=** | **Liabilities** | | **+** | **Owner’s Equity** | |
| Bank | $4000 | = |  |  |  | Initial Capital | $4000 |
|  |  |  |  |  |  |  |  |
| **TOTAL** | $4000 | **=** |  | $0 | **+** |  | $4000 |

Harry then spent$1500 from the bank account to buy equipment for the business:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | **=** | **Liabilities** | | **+** | **Owner’s Equity** | |
| Bank | $2500 | = |  |  | + | Initial Capital | $4000 |
| Equipment | $1500 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **TOTAL** | $4000 | **=** |  | $0 | **+** |  | $4000 |

**Instructions**

Complete the tables on the following pages to show the impact on assets, liabilities and owner’s equity for the next sets of transactions for Harry Holmes Painters and Decorators.

**Note** that each set of transactions belongs to the same case study, and therefore all figures need to be continued through to the next set of transactions. Please ensure each transaction is fully labelled and that totals are calculated.

**Transaction 1**

Harry purchased a work van for the business for $12,000. He paid a $500 deposit onthe van and the remaining $11,500 was paid for using a bank loan.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | **=** | **Liabilities** | | **+** | **Owner’s Equity** | |
|  |  | = |  |  | + |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **TOTAL** |  | **=** |  |  | **+** |  |  |

**Transaction 2**

Harry decided to keep one of the ladders (equipment) owned by the business for his own personal use at home. This ladder was worth $500.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | **=** | **Liabilities** | | **+** | **Owner’s Equity** | |
|  |  | = |  |  | + |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **TOTAL** |  | **=** |  |  | **+** |  |  |

**Transaction 3**

Harry purchased a computer for the business for $950. He paid for the computer using cash from the business bank account.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | **=** | **Liabilities** | | **+** | **Owner’s Equity** | |
|  |  | = |  |  | + |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **TOTAL** |  | **=** |  |  | **+** |  |  |

**Transaction 4**

Throughout his first month of trading, Harry’s business earned $10,900 in revenues. At the end of the month, most of his customers had paid cash. However, $1,400 of revenues had not yet been received. The business incurred expenses of $6,200 during the month. Only one account, for $1,000 had not been paid by the end of the month. Harry withdrew $2,500 in cash from the business for his own use during the month.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | **=** | **Liabilities** | | **+** | **Owner’s Equity** | |
|  |  | = |  |  | + |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **TOTAL** |  | **=** |  |  | **+** |  |  |

**Marking Schedule**

**Learning Outcome 1: Record transactions using the accounting equation concept**

|  |  |  |
| --- | --- | --- |
| **Item No.** | **Work required from tauira** | **Achieved /**  **Yet to Achieve** |
| 1 | Each amount in Transaction 1 is correctly recorded. |  |
| 2 | Each item in Transaction 1 is correctly labelled. |  |
| 3 | The correct total amounts are shown for Assets, Liabilities and Owners’ Equity in Transaction 1. |  |
| 4 | Each amount in Transaction 2 is correctly recorded.\* |  |
| 5 | Each item in Transaction 2 is correctly labelled. |  |
| 6 | The correct total amounts are shown for Assets, Liabilities and Owners’ Equity in Transaction 2.\* |  |
| 7 | Each amount in Transaction 3 is correctly recorded.\* |  |
| 8 | Each item in Transaction 3 is correctly labelled. |  |
| 9 | The correct total amounts are shown for Assets, Liabilities and Owners’ Equity in Transaction 3\*. |  |
| 10 | Each amount in Transaction 4 is correctly recorded.\* |  |
| 11 | Each item in Transaction 4 is correctly labelled. |  |
| 12 | The correct total amounts are shown for Assets, Liabilities and Owners’ Equity in Transaction 4.\* |  |

*To achieve this learning outcome, tauira must fulfill at least 10 of the 12 requirements outlined above.*

*\* Tauira will not be penalised if errors made in previous transactions are carried through to the next transaction.*

**Result:**

**Learning Outcome 1: Achieved / YTA**

*Record transactions using the accounting equation concept*