



Assignment

Principle of Accounting (Problem 2.6 and Exercise 2.7)

Program

MBA (Non Business)

Submitted to

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Problem 2.6

**Red river farms
B/Sheet
September 30,2001**

Assets	Rs	Liability + owner equity	Rs
Current Assets		Short term liability	
Cash	16710	A/P	530000
A/R	22365	A/P	77095
Live stock	120780	Tax/P	9135
		Wages/P	1820
		Total	618050
Fixed Assets		Long Term liability	
Land	550000		
Barns and sheds	78300	Capital	266770
Fences and Gates	33570		
Irrigation system	20125		
Farm Machinery	42970		
Total	884820	Total	884820

Exercise 2.7

(a) When you purchase an asset on account.

On one side your asset will increase and on the other side your liability will also increase. So the following accounting equation will occur.

(a) Transaction : Assets = Liabilities + O.E
 Increase Increase NE

(b) When you paid a cash for your account payable. On one side your asset will be decreased and on the other side your liability also decrease. So the following accounting equation will occur.

Transaction : Assets = Liabilities + O.E
 Decrease = Decrease. NE

(c) When you purchase an asset on cash on one side your Asset will increase and on the other side other asset (cash) will decrease.

Transaction : Assets = Liabilities + O.E
 Decrease, increase NE. NE

(d) When u deposit cash into the business bank account your both assets and capital (O.E) account will be increase so the following accounting equation will occur.

Transaction : Assets = Liabilities + O.E
 Increase NE Increase

(e) When you purchase on assets and paid some money on cash and remaining signed a note payable. Then the following accounting equation will occur.

Transaction : Assets = Liabilities + O.E
 Decrease, Increase Increase NE

Exercise 2.7

Transaction	Assets.	=	Liabilities	+	O.E
(a)	Increase.	=	Increase.		NE
(b)	Decrease.	=	Decrease		NE
(c)	Decrease, Increase	=	NE		NE
(d)	Increase	=	NE		Increase
(e)	Decrease, Increase	=	Increase.		NE