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 occour.

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