SHS LEARNING ACTIVITY

Name: _____ **Score/Mark:** _____
Grade and Section: _____ **Date:** _____
Strand: ☐ STEM ☐ ABM ☐ HUMSS ☐ ICT (*TVL Track*)
Subject: *Fundamentals of ABM 1*
Type of Activity ☐ Concept Notes ☐ Skills: Exercise / Drill ☐ Illustration ☐ Laboratory Report ☐ Essay/Task Report ☐ Others: _____

Activity Title: LA-12. Types of Major Accounts: Equity
Learning Target: To discuss equity as a major account
References: *(Author, Title, Pages)*
1) Hinayon, et al., Fundamentals of Accounting Vol. 1, p. 36
2) Q. J. Abcede, CVIF Learning Activities

Aside from assets and liabilities, one type of major accounts is the **Equity** of the enterprise.

Assets of an enterprise can be claimed by both the owner/s and the creditors.

a. **Claim of creditors** → creditors' equity, or simply, liabilities (which was discussed in the previous LAS)
b. **Claim of owners** → owner's equity, or simply, **Equity** (or capital)

After all liabilities or claims of creditors have been settled, or after all debts of the enterprise have been paid, what remains of the assets is the claim of the owners of the enterprise called the *owner's equity* (or *partners' equity* in the case of partnerships, or *shareholders' equity* in the case of corporations).

Equity has the following characteristics:

- It starts with the original investment made by the owner (proprietor, partner, or shareholder) into the business.
- It increases every time the owner invests additional cash into the business, and when the business earns net income during a period.
- It decreases every time the owner withdraws money from the business for personal use, or when the business incurs net loss during a period.

Exercises:

A. Formulate an equation in solving for the Equity of an enterprise using the three major accounts discussed so far. (Carefully read again the discussion above.)
B. Using the equation you have formulated, answer the following items. Present your step-by-step solutions neatly.
   1. As of January 1, 2021, Bok's Chicken has assets of Php350,000 and liabilities of Php100,000. How much is its equity?
   2. By the end of January 2021, assets of Bok's Chicken decreased by Php50,000 and its liabilities decreased by Php90,000. Therefore, its equity increased by Php_____.