CHATHURANGA WICKRAMASEKARA

Accounting Theory Note

A compact sample handout for the student-portal demonstration.

1. Accounting Equation

Assets = Liabilities + Owner's Equity. Every transaction must preserve this relationship.

2. Key Terms

• Asset: a resource controlled by the business.

• Liability: an obligation to an outside party.

• Capital: the owner's claim on the business.

• Revenue: income earned from business activities.

• Expense: costs incurred to earn revenue.

3. Simple Example

The owner invests Rs. 100,000 cash. Cash increases by Rs. 100,000 and owner's equity increases by Rs. 100,000.

Transaction	Debit	Credit
Owner invests cash	Cash	Capital
Buy goods for cash	Purchases	Cash
Cash sale	Cash	Sales