4.11 Schematic representation

EQUITY = ASSETS - LIABILITIES

Equity accounts (Dr / Cr)

Expenditure accounts

Dr	Cr
+(increase)	-(decrease)

Income accounts

Dr	Cr
-(decrease)	+(increase)

Accounts are closed off to the:

a) Trading account and/or
b) Profit or loss account (this account is closed off to the Capital account)

Drawings

Dr	Cr
Balance b/d +(increase)	-(decrease)

Closed off to the capital account

Capital

Dr	Cr
-(decrease)	Balance b/d +(increase)

Prepare:

a) Statement of profit or loss and other comprehensive income
b) Statement of changes in equity

Asset accounts

Dr	Cr
Balance b/d +(increase)	-(decrease)

Liability accounts

Dr	Cr
-(decrease)	Balance b/d +(increase)

Use these balances and the result of the Statement of changes in equity to prepare the statement of financial position and notes.

Balances are the opening balances for the next financial year