

Chapter 2 - Accounting Equation

Question:1

What will be effect of the following on the Accounting Equation?

- (i) Started business with cash 45,000
- (ii) Opened a Bank Account with a deposit of 4,500
- (iii) Bought goods from M/s. Sun & Co. for 11,200

Solution:

S. No.	Transactions	Assets			=	Liabilities	+	Capital
		Cash (Rs)	+ Bank (Rs)	+ Stock (Rs)	=	Creditors (Rs)		(Rs)
(i)	Started business with cash	45,000			=			45,000
(ii)	Opened a Bank Account with a deposit	45,000			=			45,000
		- 4,500	+ 4,500		=			
(iii)	Bought goods from M/s. Sun & Co.	40,500	+ 4,500		=			45,000
				11,200	=	11,200		
		40,500	+ 4,500	+ 11,200	=	11,200	+ 45,000	

Total	=	Cash + Bank + Stock
Assets	=	40,500 + 4,500 + 11,200
	=	Rs 56,200
Liabilities	=	11,200
Capital	=	45,000

Question:2

Show the Accounting Equation for the following transactions:

(i)	Gopinath started business with cash	25,000
(ii)	Purchased goods from Shyam	10,000
(iii)	Sold goods to Sohan costing 1,800	1,500
(iv)	Gopinath withdrew from business	5,000

Solution:

S. No	Transactions	Assets			=	Liabilities	+	Capital
		Cash (Rs)	+ Stock (Rs)	+ Debtors (Rs)	=	Creditors (Rs)		(Rs)
(i)	Gopinath Started business with	25,000			=			25,000
(ii)	Purchased goods from Shyam	25,000			=			25,000
			10,000		=	10,000		
(iii)	Sold goods to Sohan	25,000	+ 10,000		=	10,000	+ 25,000	
			- 1,800	+ 1,500	=		- 300	
(iv)	Gopinath withdrew from business	25,000	+ 8,200	+ 1,500	=	10,000	+ 24,700	
		-5,000			=		- 5,000	
		20,000	+ 8,200	+ 1,500	=	10,000	+ 19,700	

Assets	=	20,000 + 8,200 + 1,500
	=	Rs 29,700
Liabilities	=	Rs 10,000
Capital	=	Rs 19,700

Question:3

Show the effect of the following transactions on the Accounting Equation:

- (i) Started business with cash 50,000.
- (ii) Salaries paid 2,000.
- (iii) Wages Outstanding 200.
- (iv) Interest due but not paid 100.
- (v) Rent paid in advance 150.

Solution:

S. No.	Transactions	Assets		=	Liabilities	+	Capital
		Cash (Rs)	+ Advances Expenses (Rs)	=	Outstanding Expenses (Rs)		(Rs)
(i)	Started business with Cash	50,000		=			50,000
(ii)	Salaries paid	50,000		=			50,000
		- 2,000		=			- 2,000
							(expenses)
(iii)	Wages Outstanding	48,000		=			48,000
				=	200	+	- 200
							(expenses)
(iv)	Interest due but not paid	4,800		=	200		47,800
				=	100	+	- 100
							(expenses)
(v)	Rent paid in advance	48,000		=	300	+	47,700
		- 150	+ 150	=			

		47,850	+	150	=	300	+	47,700
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Assets = 47,850 + 150
= Rs 48,000
Liabilities = Rs 300
Capital = Rs 47,700

Question:4

What will be the effect of the following on the Accounting Equation?

- (i) Harish started business with cash 18,000
- (ii) Purchased goods for Cash 5,000 and on credit 2,000
- (iii) Sold goods for cash 4,000 (costing 2,400)
- (iv) Rent paid 1,000 and rent outstanding 200

Solution:

S. No.	Transactions	Assets		=	Liabilities		+	Capital
		Cash (Rs)	+ Stock (Rs)	=	Creditors (Rs)	+ Outstanding Rent (Rs)	=	(Rs)
(i)	Harish started business with cash	18,000		=				18,000
		18,000		=				18,000
(ii)	Purchased goods for Cash Rs 5,000 and on credit Rs 2,000	- 5,000	+ 7,000	=	2,000			
(iii)	Sold goods for cash Rs 4,000 costing Rs 2,400	4,000	- 2,400	=			+	1,600 (Profit)
		17,000	+ 4,600	=	2,000		+	19,600
(iv)	Rent paid Rs 1,000 and Rent Outstanding Rs 200	- 1,000		=		200		- 1,200
		16,000	+ 4,600	=	2,000	+ 200	+	18,400

Assets = 16,000 + 4,600
= Rs 20,600
Liabilities = 2,000 + 200
= Rs 2,200
Capital = Rs 18,400

Question:5

Prepare Accounting Equation from the following:

- (i) Started business with cash 1,00,000 and Goods 20,000.
- (ii) Sold goods worth 10,000 for cash 12,000.
- (iii) Purchased furniture on credit for 30,000.

Solution:

S. No.	Transaction	Assets			=	Liabilities		+	Capital
		Cash (Rs)	+ Stock (Rs)	+ Furniture (Rs)	=	Creditors (Rs)	=	(Rs)	
(i)	Started business with cash Rs 1,00,000 and Goods Rs 20,000	1,00,000	+ 20,000		=			1,20,000	
		1,00,000	+ 20,000		=			1,20,000	
(ii)	Sold goods worth Rs 10,000 for cash Rs 12,000	12,000	- 10,000		=		+	2,000	
		1,12,000	+ 10,000		=			1,22,000	
(iii)	Purchased furniture on credit for Rs 30,000			30,000	=	30,000			
		1,12,000	+ 10,000	+ 30,000	=	30,000	+	1,22,000	

Assets = 1,12,000 + 10,000 + 30,000
= Rs 1,52,000
Liabilities = Rs 30,000
Capital = Rs 1,22,000

Question:6

Prepare an Accounting Equation and Balance Sheet on the following basis:

- (i) Ajeet started business with cash 20,000.
- (ii) He purchased furniture for 2,000.
- (iii) He paid rent of 200.
- (iv) He purchase goods on credit 3,000.
- (v) He sold goods (cost price 2,000) for 5,000 on cash.

Solution:

S. No.	Transaction	Assets			=	Liabilities		+	Capital
		Cash (Rs)	+ Furniture (Rs)	+ Stock (Rs)	=		=	(Rs)	
(i)	Ajit started business Rs 20,000	20,000			=			20,000	
		20,000			=			20,000	
(ii)	He purchased furniture for Rs 2,000	- 2,000	+ 2,000		=				
		18,000	+ 2,000		=			20,000	

(iii)	He paid Rent of Rs 200	- 200	=		=	- 200	(expense)
(iv)	He purchased goods on credit Rs 3,000	17,800 + 2,000	=	3,000	=	3,000	19,800
(v)	He sold goods (cost price Rs 2,000) for Rs 5,000 on cash	17,800 + 5,000 +	2,000 +	3,000 +	=	3,000 +	19,800 + 3,000 (Profit)
		22,800 +	2,000 +	1,000 +	=	3,000 +	22,800

Assets = 22,800 + 2,000 + 1,000
= Rs 25,800
Liabilities = Rs 3,000
Capital = Rs 22,800

Balance Sheet

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital	22,800	Cash	22,800
Creditors	3,000	Furniture	2,000
		Stock	1,000
	25,800		25,800

Question:7

Prepare an Accounting Equation from the following:

- (i) Started business with cash 1,00,000.
- (ii) Purchased goods for cash 20,000 and on credit 30,000.
- (iii) Sold goods for cash costing 10,000 and on credit costing 15,000 both at a profit of 20%.

Solution:

S. No.	Transaction	Assets			=	Liabilities	+	Capital
		Cash (Rs)	+	Stock (Rs)	+	Debtors (Rs)	=	Creditors (Rs)
(i)	Started business with cash Rs 1,00,000	1,00,000						1,00,000
(ii)	Purchased goods for cash Rs 20,000 and on credit Rs 30,000	- 20,000	+	20,000				30,000
(iii)	Sold goods for cash costing Rs 10,000 and on credit costing Rs 15,000 both at a profit of 20%	80,000	+	50,000		30,000	+	1,00,000
		12,000	+	- 10,000				2,000
				- 15,000	+	18,000		3,000
		92,000	+	25,000	+	18,000	=	30,000 + 1,05,000

Question:8

Develop an Accounting Equation from the following transactions:

(i)	Mohan commenced business with cash	50,000
(ii)	Purchased goods for cash	30,000
(iii)	Purchased goods on credit	20,000
(iv)	Sold goods (costing 10,000) for	12,000
(v)	Bought furniture on credit	2,000
(vi)	Paid cash to a creditor	15,000
(vii)	Salary paid	1,000

Solution:

S. No.	Transaction	Assets			=	Liabilities	+	Capital
		Cash (Rs)	+	Stock (Rs)	+	Furniture (Rs)	=	Creditors (Rs)
(i)	Mohan commenced business with cash	50,000						50,000
(ii)	Purchased goods for cash	- 30,000	+	30,000				50,000
(iii)	Purchased goods on credit	20,000	+	20,000		20,000		50,000
(iv)	Sold goods costing Rs 10,000 for Rs 12,000	20,000	+	50,000		20,000	+	50,000
		12,000	+	- 10,000				2,000 (profit)
(v)	Bought furniture on credit	32,000	+	40,000		20,000	+	52,000
						2,000		2,000
(vi)	Paid cash to a creditor	- 15,000				22,000	+	52,000
						- 15,000		
(vii)	Salary Paid	17,000	+	40,000	+	2,000	=	7,000 + 52,000
		- 1,000						- 1,000 (expenses)

16,000	+	40,000	+	2,000	=	7,000	+	51,000
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Assets	=	16,000 + 40,000 +
		2,000
	=	Rs 58,000
Liabilities	=	Rs 7,000
Capital	=	Rs 51,000

Question:9

Prepare an Accounting Equation on the basis of the following transactions:

- (i) Started business with cash 70,000.
- (ii) Credit purchase of goods 18,000.
- (iii) Payment made to creditors in full settlement 17,500.
- (iv) Purchase of machinery for cash 20,000.
- (v) Depreciation on machinery 2,000.

Solution:

S. No.	Transaction	Assets			=	Liabilities		+	Capital
		Cash (Rs)	+	Stock (Rs)	+	Machinery (Rs)	=	(Rs)	+
(i)	Started business with Cash Rs 70,000	70,000							70,000
		70,000							70,000
(ii)	Credit purchase of goods Rs 18,000			18,000	=	18,000			
		70,000	+	18,000	=	18,000	+		70,000
(iii)	Payment made to creditor Rs 17,500 in full settlement	- 17,500			=	- 18,000	+		500
									(Discount Received)
		52,500	+	18,000	=				70,500
(iv)	Purchase of Machinery for Cash Rs 20,000	- 20,000				20,000			
		32,500	+	18,000	+	20,000	=		70,500
(v)	Depreciation on Machinery Rs 2,000					- 2,000			- 2,000
									(Depreciation)
		32,500	+	18,000	+	18,000	=		68,500

Assets	=	32,500 + 18,000 + 18,000
	=	Rs 68,500
Liabilities	=	NIL
Capital	=	Rs 68,500

Question:10

Prove that the Accounting Equation is satisfied in all the following transactions of Suresh. Also prepare a Balance Sheet.

- (i) Commenced business with cash 60,000.
- (ii) Paid rent in advance 500.
- (iii) Purchased goods for cash 30,000 and credit 20,000.
- (iv) Sold goods for cash 30,000 costing 20,000.
- (v) Paid salary 500 and salary outstanding being 100.
- (vi) Bought motorcycle for personal use 5,000.

Solution:

S. No.	Transactions	Assets			=	Liabilities		+	Capital	
		Cash (Rs)	+	Prepaid Rent (Rs)	+	Stock (Rs)	=	Creditors (Rs)	+	Salary outstanding (Rs)
(i)	Commenced business with cash Rs 60,000	60,000								60,000
		60,000								60,000
(ii)	Paid Rent in Advance Rs 500	- 500	+	500						
		59,500	+	500						60,000
(iii)	Purchased goods for Cash Rs 30,000 and Credit Rs 20,000	- 30,000	+			50,000		20,000		
		29,500	+	500	+	50,000	=	20,000		60,000
(iv)	Sold goods for Cash Rs 30,000 Costing Rs 20,000	30,000	+		+	- 20,000				10,000
		59,500	+	500	+	30,000	=	20,000		70,000
(v)	Paid Salary Rs 500 and Salary Outstanding being Rs 100	- 500					=			- 500
									100	- 100
(vi)	Brought motorcycle for personal use Rs 5,000	59,000	+	500	+	30,000	=	20,000	+	100
		- 5,000					=			- 5,000
		54,000	+	500	+	30,000	=	20,000	+	100
										64,400
										(Drawings)

Assets	=	54,000 + 500 +
		30,000
	=	Rs 84,500
Liabilities	=	20,000 + 100
	=	Rs 20,100

Capital = 64,400

Balance Sheet

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital	64,400	Cash	54,000
Creditors	20,000	Prepaid Rent	500
Salary Outstanding	100	Stock	30,000
	85,500		85,500

Question:11

Show the effect of the following transactions and also prepare a Balance Sheet:

- (i) Started business with cash 60,000.
- (ii) Rent received 2,000.
- (iii) Accrued interest 500.
- (iv) Commission received in advance 1,000.
- (v) Amount withdrawn 5,000.

Solution:

S. No.	Transaction	Assets		=	Liabilities	+	Capital
		Cash (Rs)	+ Accrued Interest (Rs)	=	Advance Commission (Rs)		(Rs)
(i)	Started business with Cash Rs 60,000	60,000		=			60,000
(ii)	Rent Received Rs 2,000	60,000		=			60,000
		2,000		=			2,000
							(Income)
(iii)	Accrued Interest Rs 500	62,000		=			62,000
			500	=			500
							(Income)
(iv)	Commission received in advance Rs 1,000	62,000	+ 500	=	1,000		62,500
		1,000		=			
(v)	Amount withdrawn Rs 5,000	63,000	+ 500	=	1,000	+	62,500
		- 5,000		=			- 5,000
		58,000	+ 500	=	1,000	+	57,500

Balance Sheet

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital	57,500	Cash	58,000
Advance Commission	1,000	Accrued Interest	500
	58,500		58,500

Question:12

Prove that the Accounting Equation is satisfied in all the following transactions of Sameer Goel:

- (i) Started business with cash 10,000.
- (ii) Paid rent in advance 300.
- (iii) Purchased goods for cash 5,000 and credit 2,000.
- (iv) Sold goods for cash 8,000 costing 4,000.
- (v) Paid salary 450 and salary outstanding being 100.
- (vi) Bought motorcycle for personal use 3,000.

Solution:

S. No.	Transactions	Assets			=	Liabilities	+	Capital
		Cash (Rs)	+ Prepaid Rent (Rs)	+ Stock (Rs)	=	Creditors (Rs)	+ Outstanding Salary (Rs)	(Rs)
(i)	Started business with Cash Rs 10,000	10,000						10,000
(ii)	Paid Rent in Advance Rs 300	10,000						10,000
		- 300	300					
(iii)	Purchased goods for Cash Rs 5,000 and credit Rs 2,000	9,700	+ 300					10,000
		- 5,000		+ 5,000	=	2,000		
								2,000
(iv)	Sold goods for Cash Rs 8,000 Costing Rs 4,000	4,700	+ 300	+ 7,000	=	2,000		10,000
		8,000		- 4,000	=			4,000
								(Profit)
(v)	Paid Salary Rs 450 and Salary outstanding being Rs 100	12,700	+ 300	+ 3,000	=	2,000		14,000
		- 450			=			- 450
								(Expense)
							100	- 100
								(Expense)
(vi)	Brought motorcycle for personal use Rs 3,000	12,250	+ 300	+ 3,000	=	2,000	+ 100	13,450
		- 3,000			=			- 3,000
								(Drawings)
		9,250	+ 300	+ 3,000	=	2,000	+ 100	10,450

Assets	=	9,250 + 300 + 3,000
	=	Rs 12,550
Liabilities	=	2,000 + 100
	=	Rs 2,100
Capital	=	10,450

Question:13

Raghunath had the following transactions in an accounting year:

- (i) Commenced business with cash 50,000.
- (ii) Paid into bank 10,000.
- (iii) Purchased goods for cash 20,000 and credit 30,000.
- (iv) Sold goods for cash 40,000 costing 30,000.
- (v) Rent paid 500.
- (vi) Rent outstanding 100.
- (vii) Bought furniture 5,000 on credit.
- (viii) Bought refrigerator for personal use 5,000.
- (ix) Purchased motorcycle for cash 20,000.

Create an Accounting Equation to show the effect of the above and also show his Balance Sheet.

Solution:

S. No.	Transaction	Assets					=	Liabilities		+	Capital
		Cash (Rs)	Bank (Rs)	Stock (Rs)	Furniture (Rs)	Motor Cycle (Rs)	=	Creditors (Rs)	Outstanding Rent (Rs)		(Rs)
(i)	Commenced business with cash Rs 50,000	50,000					=				50,000
(ii)	Paid in to bank Rs 10,000	50,000 - 10,000	+ 10,000				=				50,000
(iii)	Purchased goods for Cash Rs 20,000 and Credit Rs 30,000	40,000 -20,000	+ 10,000	+ 20,000			=				50,000
(iv)	Sold goods for Cash Rs 40,000 Costing Rs 30,000	20,000 40,000	+ 10,000	+ 50,000 -			=	30,000		+	50,000 10,000 (Expense)
(v)	Rent paid Rs 500	60,000 - 500	+ 10,000	+ 20,000			=	30,000		+	60,000 - 500 (Expense)
(vi)	Rent Outstanding Rs 100	59,500	+ 10,000	+ 20,000			=	30,000		+	59,500 - 100 (Expense)
(vii)	Bought furniture Rs 5,000 on credit	59,500	+ 10,000	+ 20,000	5,000		=	30,000 + 5,000	100	+	59,400
(viii)	Bought refrigerator for personal use Rs 5,000	59,500 - 5,000	+ 10,000	+ 20,000	+ 5,000		=	35,000	+ 100	+	59,400 - 5,000 (Drawings)
(ix)	Purchased motorcycle for cash	54,500 - 20,000	+ 10,000	+ 20,000	+ 5,000	+ 20,000	=	35,000	+ 100	+	54,400
		34,500	+ 10,000	+ 20,000	+ 5,000	+ 20,000	=	35,000	+ 100	+	54,400

Balance Sheet

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital	54,400	Cash	34,500
Creditors	35,000	Bank	10,000
Rent Outstanding	100	Stock	20,000
		Furniture	5,000
		Motor Cycle	20,000
	89,500		89,500

Question:14

Prepare an Accounting Equation from the following:

- (i) Started business with cash 50,000 and goods 30,000.
- (ii) Purchased goods for cash 30,000 and on credit from Karan 20,000.
- (iii) Goods costing 40,000 were sold for 55,000.
- (iv) Withdrew cash for personal use 10,000.
- (v) Rent outstanding 2,000.

Solution:

S. No.	Transactions	Assets		=	Liabilities		+	Capital
		Cash (Rs)	Stock (Rs)	=	Creditors (Rs)	Outstanding Rent (Rs)		(Rs)
(i)	Started business with cash Rs 50,000 and goods Rs 30,000	50,000	+ 30,000	=				80,000

(ii)	Purchased goods for cash Rs 30,000 and on credit from Karan Rs 20,000	50,000 + - 30,000	30,000 = 30,000						80,000
(iii)	Goods costing Rs 40,000 were sold for Rs 55,000	20,000 + 55,000	80,000 = - 40,000	20,000				20,000	+ 15,000 (Profit)
(iv)	Withdrew cash for personal use Rs 10,000	75,000 + - 10,000	40,000 =	20,000					+ - 10,000 (Drawings)
(v)	Rent outstanding Rs 2,000	65,000 +	40,000 =	20,000					+ - 2,000 (Expenses)
		65,000 +	40,000 =	20,000			2,000		+ + 83,000

Question:15

Show an Accounting Equation for the following transactions:

- (i) D. Mahapatra commenced business with cash 50,000 and 1,00,000 by cheque; goods 60,000; machinery 1,00,000 and furniture 50,000.
(ii) 1/3rd of above goods sold at a profit of 10% on cost and half of the payment is received in cash.
(iii) Depreciation on machinery provided @ 10%.
(iv) Cash withdrawn for personal use 10,000.
(v) Interest on drawings charged @ 5%.
(vi) Goods sold to Gupta for 10,000 and received a Bill Receivable for the same amount for 3 months.
(vii) Received 10,000 from Gupta against the Bills Receivable on its maturity.

Solution:

	Transactions	Assets								=	Liabilities	+	Capital
		Cash (Rs)	Bank (Rs)	Stock (Rs)	Machinery (Rs)	Furniture (Rs)	Debtors (Rs)	Bills Receivable (Rs)				(Rs)	
(i)	Started Business with Cash of Rs 50,000 and Bank of Rs 1,00,000 Stock Rs 60,000 Machinery Rs 1,00,000 Furniture Rs 50,000	50,000	+ 1,00,000										1,50,000
				60,000	1,00,000	50,000							60,000 1,00,000 50,000
(ii)	1/3 rd of above goods sold at a profit of 10% on cost, that is, 60,000 × 1/3 = 20,000 × 110% = 22,000 and half of this is received in Cash	11,000		(20,000)					11,000				2,000 (Profit)
(iii)	Depreciate Machinery by 10% (1,00,000 × 10%)				(10,000)								(10,000) Expenses
(iv)	Cash withdrawn for personal use	(10,000)											(10,000)
(v)	Interest on Drawings charged @ 5% (10,000 × 5%)												(500)
(vi)	Goods Sold to Gupta for Rs 10,000 and received a Bill Receivable for the same amount.											10,000	500
(vii)	Received Rs 10,000 from Gupta against the Bill Receivable on its maturity.	10,000										(10,000)	
		61,000	+ 1,00,000	+ 40,000	+ 90,000	+ 50,000	+ 11,000						3,62,000 (10,000) 3,52,000 (10,000) 3,42,000 (500) 3,42,000
		61,000	+ 1,00,000	+ 30,000	+ 90,000	+ 50,000	+ 11,000	+ 10,000					3,42,000
		61,000	+ 1,00,000	+ 30,000	+ 90,000	+ 50,000	+ 11,000	+ NIL	=	NIL	+ 3,42,000		

Question:16

Prepare Accounting Equation from the following:

- (a) Started business with cash 1,00,000.
(b) Purchased goods for cash 20,000 and on credit 30,000.
(c) Sold goods for cash costing 10,000 and on credit costing 15,000 both at a profit of 20%.
(d) Paid salaries 8,000.

Solution:

S. No.	Transactions	Assets			=	Liabilities	+	Capital		
		Cash (Rs)	+	Stock (Rs)	+	Debtors (Rs)	=	Creditors (Rs)	+	Capital (Rs)
(i)	Started business with cash	1,00,000								1,00,000
(ii)	Purchased goods for Cash Rs 20,000 and on credit Rs 30,000	1,00,000 - 20,000	+	50,000				=	30,000	1,00,000
(iii)	Sold goods for cash costing Rs 10,000 and on credit costing Rs 15,000 both at profit of 20%	80,000 12,000	+	50,000 - 25,000	+	18,000		=	30,000	+ 1,00,000 5,000 (Profit)
(iv)	Paid Salaries Rs 8,000	92,000 - 8,000	+	25,000	+	18,000		=	30,000	+ 1,05,000 - 8,000 (Expenses)
		84,000	+	25,000	+	18,000		=	30,000	+ 97,000

Assets = 84,000 + 25,000 + 18,000
= Rs 1,27,000
Liabilities = Rs 30,000
Capital = Rs 97,000

Question:17

Show the accounting equation on the basis of following transactions:

- (a) Ram started business with 25,000.
(b) Purchased goods from Shyam 10,000.
(c) Sold goods to Sohan costing 1,500 for 1,800.

Solution:

S. No.	Transaction	Assets			=	Liabilities	+	Capital		
		Cash	+	Stock	+	Debtors	=	Creditors	+	Capital
(i)	Ram Started Business with Cash	25,000								+ 25,000
(ii)	Purchased Goods from Shyam		+	10,000					10,000	
(iii)	New A/c Equation	25,000	+	10,000				=	10,000	+ 25,000
(iii)	Sold Goods to Sohan costing Rs.1,500 for Rs.1,800			(-)1,500	+	1,800				+ 300 (Profit)
		25,000	+	8,500	+	1,800		=	10,000	+ 25,300

Question:18

If the capital of a business is 3,00,000 and liabilities are 50,000, loss 70,000, calculate the total assets of the business.

Solution:

Total Assets = Capital - Loss + Liabilities
= 3,00,000 - 70,000 + 50,000
= Rs 2,80,000

Question:19

If total assets of a business are 1,30,000 and net worth is 80,000, calculate the creditors.

Solution:

Creditors = Total Assets - Net worth
= 1,30,000 - 80,000
= Rs 50,000

Question:20

A commenced his cloth business on 1st April, 2018 with a capital of 30,000. On 31st March 2019, his assets were worth 50,000 and liabilities of 10,000. Find out his closing capital and profits earned during the year.

Solution:

Closing Capital = Assets - Liabilities
= 50,000 - 10,000
= Rs 40,000

Profit = Closing Capital - Opening Capital
= 40,000 - 30,000
= Rs 10,000

Question:21

If capital of a business is 1,40,000 and liabilities are of 80,000, calculate the total assets of the business.

Solution:

Total Assets = Liabilities + Capital
= 80,000 + 1,40,000

= Rs 2,20,000

Question:22

Calculate the total assets if:

- (i) Capital is 40,000.
- (ii) Creditors are 25,000.
- (iii) Revenue during the period is 50,000.
- (iv) Expenses during the period are 40,000.

Solution:

$$\begin{aligned} \text{Capital after Adjustment of revenue and expenses} &= \text{Capital} + \text{Revenue} - \text{Expenses} \\ &= 40,000 + 50,000 - 40,000 = \text{Rs } 50,000 \end{aligned}$$

$$\begin{aligned} \text{Total Asset} &= \text{Capital after adjustment} + \text{Creditors} \\ &= 50,000 + 25,000 \\ &= \text{Rs } 75,000 \end{aligned}$$

Question:23

(a) A had a capital of 75,000 on 1st April, 2018. He had also goods amounting to 15,000 which he had purchased on credit and the payment had not been made. Find out the value of the total assets of the business.

(b) After a period of one month, he came to know that he had suffered a loss of 1,700. He withdrew 800 for his personal use. Find out his capital and assets of the business.

Solution:

$$\begin{aligned} \text{(a) Total Assets} &= \text{Capital} + \text{Creditors for purchase of Goods} \\ &= 75,000 + 15,000 \\ &= \text{Rs } 90,000 \end{aligned}$$

$$\begin{aligned} \text{(b) Capital at the end} &= \text{Capital} - \text{Loss} - \text{Drawings} \\ &= 75,000 - 1,700 - 800 \\ &= \text{Rs } 72,500 \end{aligned}$$

$$\begin{aligned} \text{Assets} &= \text{Capital at the end} + \text{Creditors for purchase of Goods} \\ &= 72,500 + 15,000 \\ &= \text{Rs } 87,500 \end{aligned}$$

Question:24

(a) Mohan started a business on 1st April, 2018 with a capital of 10,000 and borrowed 3,000 from a friend. He earned a profit of 5,000 during the year ended 31st March, 2019 and withdrew cash 4,000 for personal use. What is his capital on 31st March, 2019?

(b) Mahesh started a business with a capital of 15,000 on 1st April, 2018. During the year, he made a profit of 3,000. He owes 2,500 to suppliers of goods. What is the total of assets in his business on 31st March, 2019?

Solution:

$$\begin{aligned} \text{(a) Capital on March 31, 2019} &= \text{Capital on April 01, 2018} + \text{Profit} - \text{Drawings} \\ &= 10,000 + 5,000 - 4,000 = \text{Rs } 11,000 \end{aligned}$$

$$\begin{aligned} \text{(b) Total Assets on March 31, 2019} &= \text{Capital on April 01, 2018} + \text{Profit} + \text{Creditors} \\ &= 15,000 + 3,000 + 2,500 = \text{Rs } 20,500 \end{aligned}$$

Question:25

Mohan started a business on 1st April, 2018 with a capital of 25,000 and a loan of 12,500 borrowed from Shyam. During 2018-19 he had introduced additional capital of 12,500 and had withdrawn 7,500 for personal use. On 31st March, 2019 his assets were 75,000. Find out his capital as on 31st March, 2019 and profit made or loss incurred during the year 2018-19.

Solution:

$$\begin{aligned} \text{Capital on March 31, 2019} &= \text{Assets} - \text{Loan from Shyam} \\ &= 75,000 - 12,500 = \text{Rs } 62,500 \end{aligned}$$

$$\begin{aligned} \text{Profit (or Loss) during the year 2018-19} &= \text{Capital on March 31, 2019} + \text{Drawings} - (\text{Additional Capital} + \text{Capital on April 01, 2018}) \\ &= 62,500 + 7,500 - (12,500 + 25,000) \\ &= 70,000 - 37,500 = \text{Rs } 32,500 \end{aligned}$$

Question:26

On 31st March, 2019, the total assets and external liabilities were 2,00,000 and 6,000 respectively. During the year, the proprietor had introduced capital of 20,000 and withdrawn 12,000 for personal use. He made a profit of 20,000 during the year. Calculate the capital as on 1st April, 2018.

Solution:

Capital as on March 31, 2019 = Total Assets – External Liabilities

$$= 2,00,000 - 6,000 = \text{Rs } 1,94,000$$

Capital on April 01, 2018 = Capital on March 31, 2019 – Additional Capital + Drawings – Profit

$$= 1,94,000 - 20,000 + 12,000 - 20,000 = \text{Rs } 1,66,000$$

Question:27

Show an Accounting Equation on the basis of the following transactions:

(i)	Sunil started business with cash	1,50,000
(ii)	Opened a Bank Account by depositing 25,000 out of cash	
(iii)	He sold his personal car for 50,000 and deposited the amount in the firm's Bank Account	
(iv)	He purchased a building and furniture for	1,00,000
(v)	He purchased goods from Ram on credit	50,000
(vi)	He paid cartage	500
(vii)	He sold to Shyam on credit goods costing 6,000 for	9,000
(viii)	Received rent from tenants	1,000
(ix)	Received security deposit from tenants	1,500
(x)	Purchased stationery for cash	100
(xi)	Invested in shares (personal)	50,000
(xii)	Received interest in cash	200
(xiii)	Introduced fresh capital	25,000
(xiv)	Goods destroyed by fire	500

Solution:

	Transactions	Assets					=	Liabilities		+	Capital (Rs)			
		Cash (Rs)	+	Bank (Rs)	+	Building and Furniture (Rs)		+	Stock (Rs)			+	Debtors (Rs)	+
(i)	Sunil started business with Cash Rs 1,50,000.	1,50,000												1,50,000
(ii)	Opened Bank Account by depositing Rs 25,000 from cash	1,50,000 - 25,000		25,000										1,50,000
(iii)	Sold personal car for Rs 50,000 and deposited money in Bank A/c	1,25,000	+	25,000										1,50,000 50,000
(ii)	Building and Furniture purchased for Rs 1,00,000	1,25,000	+	75,000		1,00,000								2,00,000
(iii)	Purchased goods from Ram on credit	1,00,000												2,00,000
(iv)	Paid Cartage Rs 500	25,000 - 500	+	75,000	+	1,00,000	+	50,000						2,00,000 - 500 (Expenses)
(v)	Sold to Shyam on credit goods costing Rs 6,000 for Rs 9,000	24,500	+	75,000	+	1,00,000	+	50,000 - 6,000	9,000					1,99,500 3,000 (Profits)
(vi)	Received rent from tenants of Rs 1,000	24,500 1,000	+	75,000	+	1,00,000	+	44,000	9,000					2,02,500 1,000 (Incomes)
(vii)	Received Security Deposits from tenants of Rs 1,500	25,500 1,500	+	75,000	+	1,00,000	+	44,000	9,000					2,03,500 1,500
(viii)	Purchased Stationery for Cash of Rs 100	27,000 - 100	+	75,000	+	1,00,000	+	44,000	9,000					2,03,500 - 100 (Expense)
(ix)	Invested in Shares (personal) Rs 50,000	26,900	+	75,000	+	1,00,000	+	44,000	9,000					2,03,400 - 50,000 (Drawings)
(x)	Received Interest of Rs 200 in Cash	26,900 200	+	25,000	+	1,00,000	+	44,000	9,000					1,53,400 200 (Income)
(xi)	Introduced fresh Capital of Rs 25,000	27,100 25,000	+	25,000	+	1,00,000	+	44,000	9,000					1,53,600 25,000
(xii)	Goods of Rs 500 were destroyed by fire	52,100	+	25,000	+	1,00,000	+	44,000	9,000					1,78,600 - 500 (Loss)
		52,100	+	25,000	+	1,00,000	+	43,500	9,000					1,78,100

Assets = 52,100 + 25,000 + 1,00,000 + 43,500 + 9,000 = 2,29,600

Liabilities = 50,000 + 1,500 = 51,500

Capital = 1,78,100