



Class: XI B	ACCOUNTANCY (055)	Ref. Book: NCERT
	Topic: ACCOUNTING EQUATION	Type : SHORT & LONG ANSWER
		Date of Submission:

1.

Prepare the Accounting Equation on the basis of the following:

	(₹)
1. Ramesh commenced business with cash.	1,50,000
2. Furniture purchased for cash.	20,000
3. Purchased goods from Manish on credit.	25,000
4. Sold goods (costing ₹ 10,000) to Mohini for cash.	14,000
5. Additional capital introduced.	20,000
6. Commission received in advance.	2,000
7. Paid to creditor (Manish) in full settlement.	22,500
8. Sold goods (costing ₹ 15,000) for ₹ 18,000 out of which ₹ 5,000 received in cash.	
9. Depreciation on furniture provided @ 10%.	

SOLUTION:

	Transactions	Assets		= Liabilities			+ Capital		
		Cash	+ Furniture	+ Stock	+ Debtors	= Creditors	+ Comm. Rec. in Advance	+ Capital	
		₹	₹	₹	₹	₹	₹	₹	
1	Ramesh Commenced business with cash	1,50,000	+ 0	+ 0	+ 0	= 0	+ 0	+ 1,50,000	
2	Furniture purchased for cash	-20,000	+ 20,000	+ 0	+ 0	= 0	+ 0	+ 0	
	<b>New Equation</b>	1,30,000	+ 20,000	+ 0	+ 0	= 0	+ 0	+ 1,50,000	
3	Purchased goods from Manish	0	+ 0	+ 25,000	+ 0	= 25,000	+ 0	+ 0	
	<b>New Equation</b>	1,30,000	+ 20,000	+ 25,000	+ 0	= 25,000	+ 0	+ 1,50,000	
4	Cash Sales (Profit ₹ 14,000 – ₹ 10,000)	14,000	+ 0	- 10,000	+ 0	= 0	+ 0	+ 4,000	
	<b>New Equation</b>	1,44,000	+ 20,000	+ 15,000	+ 0	= 25,000	+ 0	+ 1,54,000	
5	Additional capital introduced	20,000	+ 0	+ 0	+ 0	= 0	+ 0	+ 20,000	
	<b>New Equation</b>	1,64,000	+ 20,000	+ 15,000	+ 0	= 25,000	+ 0	+ 1,74,000	
6	Commission received in advance	2,000	+ 0	+ 0	+ 0	= 0	+ 2,000	+ 0	
	<b>New Equation</b>	1,66,000	+ 20,000	+ 15,000	+ 0	= 25,000	+ 2,000	+ 1,74,000	
7	Paid to creditor Manish ₹22,500 in full settlement	-22,500	+ 0	+ 0	+ 0	= -25,000	+ 0	+ 2,500	
	<b>New Equation</b>	1,43,500	+ 20,000	+ 15,000	+ 0	= 0	+ 2,000	+ 1,76,500	
8	Sold goods (costing ₹15,000) for ₹18,000 out of which ₹ 5,000 received in cash	5,000	+ 0	- 15,000	+ 13,000	= 0	+ 0	+ 3,000	
	<b>New Equation</b>	1,48,500	+ 20,000	+ 0	+ 13,000	= 0	+ 2,000	+ 1,79,500	
9	Dep. on furniture @ 10% on ₹ 20,000	0	- 2,000	+ 0	+ 0	= 0	+ 0	- 2,000	
	<b>New Equation</b>	1,48,500	+ 18,000	+ 0	+ 13,000	= 0	+ 2,000	+ 1,77,500	

2. Show effect of following transaction on the accounting equation:

- (a) Manoj started business with Cash ₹ 2, 30,000; Goods ₹ 1, 00,000 and Building ₹ 2, 00,000.
- (b) He purchased goods for cash ₹ 50,000.
- (c) He sold goods (costing ₹ 20,000) ₹ 35,000.
- (d) He purchased goods from Rahul ₹ 55,000.
- (e) He sold goods to Varun (Costing ₹ 52,000) ₹ 60,000.
- (f) He paid cash to Rahul in full settlement ₹ 53,000.
- (g) Salary paid by him ₹ 20,000.
- (h) Received cash from Varun in full settlement ₹ 59,000.
- (i) Rent outstanding ₹ 3,000.
- (j) Prepaid Insurance ₹ 2,000.
- (k) Commission received by him ₹ 13, 000.
- (l) Amount withdrawn by him for personal use ₹ 20,000.
- (m) Depreciation charge on building ₹ 10,000.
- (n) Fresh capital invested ₹ 50,000.
- (o) Purchased goods from Rakhi ₹ 10,000.

Solution:

S.N	TRANSACTION	ASSETS = LIABILITIES + CAPITAL							
		CASH	STOCK	BUILDING	DEBTORS	PREPAID INSUR.	CREDITORS	O/S RENT	CAPITAL
a	Started business	2,30,000	1,00,000	2,00,000					5,30,000
		2,30,000	1,00,000	2,00,000					5,30,000
b	Purchased goods for cash	(50,000)	50,000						
		1,80,000	1,50,000	2,00,000					5,30,000
c	Sold goods for cash	35,000	(20,000)						15,000
		2,15,000	1,30,000	2,00,000					5,45,000
d	Purchased goods from Rahul		55,000				55,000		
e	Sold goods to Varun	2,15,000	1,85,000	2,00,000					5,45,000
			(52,000)		60,000				8,000
		2,15,000	1,33,000	2,00,000	60,000		55,000		5,53,000
f	Paid cash to Rahul	(53,000)					(55,000)		2,000
		1,62,000	1,33,000	2,00,000	60,000				5,55,000
g	Paid salary	(20,000)							(20,000)
		142,000	1,33,000	2,00,000	60,000				5,35,000
h	Received cash from Varun	59,000			(60,000)				(1,000)
		2,01,000	1,33,000	2,00,000					5,34,000
i	O/S Rent							3,000	(3,000)
		2,01,000	1,33,000	2,00,000				3,000	5,31,000
	Prepaid Insurance	(2,000)				2,000			

j		1,99,000	1,33,000	2,00,000		2,000		3,000	5,31,000
	Commission received	13,000							13,000
k		2,12,000	1,33,000	2,00,000		2,000		3,000	5,44,000
	Drawings	(20,000)							(20,000)
l		1,92,000	1,33,000	2,00,000		2,000		3,000	5,24,000
	Depreciation on building			(10,000)					(10,000)
m		1,92,000	1,33,000	1,90,000		2,000		3,000	5,14,000
n	Fresh capital	50,000							50,000
		2,42,000	1,33,000	1,90,000		2,000		3,000	5,64,000
o	Purchased goods from Rakhi		10,000				10,000		
		2,42,000	1,43,000	1,90,000	---	2,000	10,000	3,000	5,64,000
				<u>5,77,000</u>			<u>5,77,000</u>		

3. How are the following items dealt in Accounting Equation?

- (i) Interest due but not received ₹ 5,000.
- (ii) Rent received in advance ₹ 10,000.
- (iii) Insurance premium paid in advance ₹ 15,000.
- (iv) Salaries due but not paid ₹ 20,000.

**Solution:**

- (i) Interest due but not received shall be added to assets on one side & to the capital on other side.
- (ii) It will increase cash on the assets side and increase the liabilities.
- (iii) It will decrease one asset (cash) and increase another asset (Prepaid insurance).
- (iv) Salary being an expense will be deducted from the capital & being unpaid will be added to liabilities.

4. Give an example for each of the following types of transactions:

1. Increase in one asset, decrease in another asset.
2. Increase in asset, increase in liability.
3. Increase in asset, increase in owner's capital.
4. Decrease in asset, decrease in liability.
5. Decrease in asset, decrease in owner's capital.
6. Decrease in liabilities, increase in owner's capital.
7. Increase in one liability, decrease in another liability.
8. Increase in liabilities, decrease in owner's capital.

**Solution:**

1. Purchase of furniture for cash—Increase in furniture and decrease in cash.
2. Purchase of furniture on credit—Increase in furniture and increase in liability.
3. Capital introduced by proprietor—Increase in cash and increase in capital.
4. Payment to creditors—Decrease in cash and decrease in creditors.
5. Cash withdrawn by proprietor—Decrease in cash and decrease in capital.
6. Conversion of partner's loan into capital—Increase in capital and decrease in loan.
7. Bills Payable accepted—Increase in bills payable and decrease in creditors.
8. Outstanding expenses provided—Increase in creditors for outstanding expenses and decrease

incapital.

5. Soraj Mart furnishes the following information: Transactions during the month of April, 2023 are as under:

Date	Details
01.4.2023	Business started with cash ₹ 1, 50,000.
01.4.2023	Goods purchased form Manisha ₹ 36,000.
01.4.2023	Stationery purchased for cash ₹ 2,200.
02.4.2023	Open a bank account with SBI for ₹ 35,000.
02.4.2023	Goods sold to Priya for ₹ 16,000.
03.4.2023	Received a cheque of ₹ 16,000 from Priya.
05.4.2023	Sold goods to Nidhi ₹ 14,000.
08.4.2023	Nidhi pays ₹ 14,000 cash.
10.4.2023	Purchased goods for ₹ 20,000 on credit from Ritu.
14.4.2023	Insurance paid by cheque ₹ 6,000.
18.4.2023	Paid rent ₹ 2,000.
20.4.2023	Goods costing ₹ 1,500 given as charity.
24.4.2023	Purchased office furniture for ₹ 11,200.
29.4.2023	Cash withdrawn for household purposes ₹ 5,000.
30.4.2023	Interest received cash ₹ 1,200.
30.4.2023	Cash sales ₹ 2,300.
30.4.2023	Commission paid ₹ 3,000 by cheque.
30.4.2023	Telephone bill paid by cheque ₹ 2,000.
30.4.2023	Payment of salaries in cash ₹ 12,000.

Journalise the transactions

**Solution:**

**Books of Saroj Mart (Journal)**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2023 Apr.01	Cash A/c To Capital A/c (Being Business started with cash)		1,50,000	1,50,000
Apr.01	Purchases A/c To Manisha A/c (Being Goods purchase on credit)		36,000	36,000
Apr.01	Stationery A/c To Cash A/c (Being Purchase of stationery for cash)		2,200	2,200
Apr. 02	Bank A/c To Cash A/c (Being Opened a bank account with SBI)		35,000	35,000
Apr. 02	Priya A/c To Sales A/c (Being Goods sold to Priya On Credit)		16,000	16,000

Apr. 03	Bank A/c To Priya A/c (Being Cheque Received from Priya)	Dr.	16,000	16,000
Apr. 05	Nidhi A/c To Sales A/c (Being Sale of goods to Nidhi on credit)	Dr.	14,000	14,000
Apr. 08	Cash A/c To Nidhi A/c (Being Cash received from Nidhi)	Dr.	14,000	14,000
Apr. 10	Purchases A/c To Ritu A/c (Being Purchase of goods on credit)	Dr.	20,000	20,000
Apr. 14	Insurance Premium A/c To Bank A/c (Being Payment of Insurance premium bycheque)	Dr.	6,000	6,000
Apr. 18	Rent A/c To Cash A/c (Being Rent paid)	Dr.	2,000	2,000
Apr. 20	Charity A/c To Purchases A/c (Being Goods given as charity)	Dr.	1,500	1,500
Apr. 24	Furniture A/c To Cash A/c (Being Purchase of office furniture)	Dr.	11,200	11,200
Apr. 29	Drawings A/c To Cash A/c (Being With drawl of cash from the business for personal use of the proprietor)	Dr.	5,000	5,000
Apr. 30	Cash A/c To Interest received A/c (Being Interest received)	Dr.	1,200	1,200
Apr. 30	Cash A/c To Sales A/c (Being Sale of goods for cash)	Dr.	2,300	2,300
Apr. 30	Commission A/c To Bank A/c (Being Commission paid by cheque)	Dr.	3,000	3,000
Apr. 30	Telephone expenses A/c To Cash A/c (Being Payment of telephone bill)	Dr.	2,000	2,000
Apr. 30	Salaries A/c	Dr.	12,000	
	To Cash A/c (Being Payment of salary to the office persons)			12,000

6.

<i>Date</i>	<i>Details</i>	<i>Amt. (₹)</i>
<b>2022</b>		
Dec. 01	Business started with cash	1,20,000
Dec. 02	Opened a bank account with ICICI	4,00,00
Dec. 04	Goods purchased for cash	12,000
Dec. 10	Paid cartage	500
Dec. 12	Goods sold on credit to M/s Lara India	25,000
Dec. 14	Cash received from M/s Lara India	10,000
Dec. 16	Goods returned from Lara India	3,000
Dec. 18	Paid trade expenses	700
Dec. 19	Goods purchased on credit from Taranum	32,000
Dec. 20	Cheque received from M/s Lara India for final settlement and deposited same day into bank	11,500
Dec. 22	Goods returned to Taranum	1,500
Dec. 24	Paid for stationery	1,200
Dec. 26	Cheque given to Taranum on account	20,000
Dec. 28	Paid rent by cheque	4,000
Dec. 29	Drew cash for personal use	10,000
Dec. 30	Cash sales	12,000
Dec. 31	Goods sold to M/s Rupak Traders	11,000

**Solution:**

**Books of Time Zone  
Journal**

<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit (₹)</b>	<b>Credit (₹)</b>
2022 Dec. 01	Cash A/c To Capital A/c ( Business started with cash)	Dr.	1,20,000	1,20,000

02	Bank A/c To Cash A/c (Opened a current account with ICICI bank)	Dr.	40,000	40,000
04	Purchases A/c To Cash A/c (Goods purchased for cash)	Dr.	12,000	12,000
10	Cartage A/c To Cash A/c (Cartage paid)	Dr.	500	500
12	Lara India A/c To Sales A/c (Goods sold on credit)	Dr.	25,000	25,000
14	Cash A/c To Lara India A/c (Cash received from Lara India)	Dr.	10,000	10,000
16	Sales Return A/c To Lara India A/c (Goods returned from Lara India)	Dr.	3,000	3,000
18	Trade Expenses A/c To Cash A/c (Trade expenses paid)	Dr.	700	700
19	Purchases A/c To Taranum's A/c (Goods purchased on credit)	Dr.	32,000	32,000
20	Bank A/c Discount A/c To Lara India A/c (Cheque received for final settlement)	Dr. Dr.	11,500 500	12,000
22	Taranum's A/c To Purchase Return's A/c (Goods returned to Taranum)	Dr.	1,500	1,500
24	Stationery A/c To Cash A/c (Cash paid for stationery)	Dr.	1,200	1,200
26	Taranum's A/c To Bank A/c (Cheque given to Taranum)	Dr.	20,000	20,000
28	Rent A/c To Bank A/c (Rent paid by cheque)	Dr.	4,000	4,000
29	Drawings A/c To Cash A/c (Cash withdrawn for personal use)	Dr.	10,000	10,000
30	Cash A/c To Sales A/c (Goods sold for cash)	Dr.	12,000	12,000
31	Rupak Trader A/c To Sales A/c (Goods sold on credit)	Dr.	11,000	11,000
		Total	3,14,900	3,14,900

Posting in the Ledger books:

### Cash Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2023				2023			
Dec. 01	Capital		1,20,000	Dec. 02	Bank		40,000
Dec. 14	Lara India		10,000	Dec. 04	Purchase		12,000
Dec. 30	Sales		12,000	Dec. 10	Cartage		500
				Dec. 18	Trade Expenses		700
				Dec. 24	Stationery		1,200
				Dec. 29	Drawings		1,000

### Capital Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2023			
				Dec.01	Cash		1,20,000

### Bank Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2023				2023			
Dec.02	Cash		40,000	Dec.26	Taranum's		20,000
Dec.20	Lara India		11,500	Dec.28	Rent		4,000

### Purchases Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2023							
Dec.04	Cash		12,000				
Dec.19	Taranum		32,000				

### Cartage Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2023							
Dec.10	Cash		500				



**Lara India Account**

<b>Dr.</b>				<b>Cr.</b>			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
2023 Dec.12	Sales		25,000	2023 Dec. 14	Cash		10,000
				Dec. 16	Sales return		3,000
				Dec. 20	Bank		11,500
					Discount		500

**Sales Account**

<b>Dr.</b>				<b>Cr.</b>			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
				2023 Dec.12	Lara India		25,000
				Dec.30	Cash		12,000
				Dec.31	Rupak Traders		11,000

**Sales Return Account**

<b>Dr.</b>				<b>Cr.</b>			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
2023 Dec.16	Lara India		3,000				

**Trade Expenses Account**

<b>Dr.</b>				<b>Cr.</b>			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
2023 Dec.18	Cash		700				

**Taranum Account**

<b>Dr.</b>				<b>Cr.</b>			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
2023 Dec.22	Purchase Return		1,500	2023 Dec.19	Purchase		32,000
Dec.26	Bank		20,000				

**Discount Paid Account**

Dr.				Cr.			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
2023 Dec.20	Lara India		500				

**Purchases Return Account**

Dr.				Cr.			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
				2023 Dec.22	Taranum		1,500

**Stationery Account**

Dr.				Cr.			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
2023 Dec.	Cash		1,200				

**Rent Account**

Dr.				Cr.			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
2023 Dec. 28	Bank		4,000				

### Drawings Account

Dr.				Cr.			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
2023 Dec. 29	Cash		10,000				

### Rupak Traders Account

Dr.				Cr.			
<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>	<i>Date</i>	<i>Particulars</i>	<i>J.F.</i>	<i>Amount</i>
2023 Dec. 31	Sales		11,000				