



ACCOUNTANCY OF CLASS XI

CHAPTER-5 ACCOUNTING EQUATION

Q.1. Can liabilities be zero?

Q.2. State whether earnings increase or decrease Owner's equity.

Q.3. Can Capital be zero?

Q.4. State whether drawings increase or decrease Owner's equity.

Q.5. Can Assets be zero?

Q.6. Give an example of each of the following cases:

- a) Decrease in asset and decrease in capital
- b) Increase in asset and increase in liability
- c) Decrease in one liability and increase in other liability
- d) Decrease in one asset and increase in other asset
- e) Increase in liabilities and decrease in owner's capital

Q.7. How will you deal with the following items in accounting equation?

- a) Outstanding Expenses
- b) Prepaid expense
- c) Accrued income
- d) Income in advance

Q.8. How are revenue and expenses related to accounting equation?

Q.9. Prove that "Accounting equation holds good under all circumstances" Give atleast two illustrations.



Q.10. Explain the concept of accounting equation.

Q.11. Calculate the capital introduced by Shyam proprietor as on 1st April 2011 if the following figures are provided

a) Profits during the year	1,50,000
b) Drawings made during the year	3,60,000
c) Capital introduced on 31 st May 2011	1,00,000
d) Total assets on 31 st March 2012 were	6,60,000
e) Creditors on 31 st March 2011 were	90,000
f) Creditors on 31 st March 2012 were	1,20,000

Q.12. Jagdish commenced his business with an investment of ₹ 2,50,000 on 1st April 2011. On 1st May 2011 he took a loan of ₹ 1,00,000 as his personal debt and investment ₹ 40,000 into the business. He acquired a loan of ₹ 60,000 in the name of business from a nationalized bank @ 12% p.a. on 30th September 2011. On 31st March 2012 his liability stand as : Creditors ₹ 32,000 and outstanding wages ₹ 9,000. Calculate total assets of Jagdish on 1st 2012.

Q.13. Calculate Total equity from the following information :

Capital at the beginning of the year	1,40,000
Revenue during the year	40,000
Expenses during the year	35,000
Bank Overdraft	12,000
Drawings	15,000
Loan from Bank	1,20,000



Q.14. Vivek commenced business on April 1 2011 with cash 2,25,000. He bought personal computer from his home to the business worth ₹ 16000. Besides this the following transactions were entered into by him during the year.

- a) Goods purchased from Vikram of the list price ₹ 30000 at a trade discount 10%
- b) Opened a new account in SBI with ₹ 80000
- c) Purchased machinery worth ₹ 300000 by making payment of ₹ 50000 through cheque and rest by raising a loan
- d) Rent paid for 15 months ₹ 90000
- e) Sold goods to Bharti costing ₹ 6000 at 20% profit and 5% trade discount.
- f) Received a cheque from bharti of ₹6500 in full settlement.
- g) Withdrew ₹ 4000 in personal use.
- h) Donated goods costing ₹ 1000 to a charitable trust.
- i) Received commission ₹ 1000
- j) Goods destroyed (sale price ₹ 3000) during flood costing ₹ 2500
- k) Securities were purchased for ₹ 10000
- l) Goods costing 4500 sold to Girish for ₹ 4000 cash
- m) Dividend received on securities ₹ 3000
- n) Salary due but not paid ₹ 4000
- o) Securities costing ₹ 3000 sold at a profit of 33 2/3%

show the effect of the above mentioned transactions by way of an accounting equation.



Q.15. From the following information, prepare an accounting equation:

- a) Mr Aalam started business with cash ₹ 250000 on 1st April 2011
- b) He purchased goods worth ₹ 10000
- c) On april 1 2011 he purchased laptop for his son for ₹ 30000
- d) Sold goods costing ₹ 3000 at a profit of 20% and trade discount of 5% to Sohan
- e) Purchased goods worth ₹ 40000 at 5% trade discount and 2% cash discount, payment is made immediately.
- f) Sohan declared insolvent and a full and final composition of 60 p as received from his estate.
- g) 1/3 of the available goods are sold at a profit of ₹ 500000 at 10% trade discount and 5% cash discount to Ramesh who paid 60% of the amount due immediately.

Books are being from the following information :

16. Calculate Total equity from the following information :

Capital at the beginning of the year	1,40,000
Revenue during the year	40000
Expenses during the year	35000
Creditor	1,20,000
Bank Overdraft	12000
Drawings	15000
Loan from Bank	1,20,000



17. From the following information calculate profit/loss for the year ending 31st March 2012, if the proprietor withdrew ₹ 7000 per month throughout the year :

Particulars	31 st March 2011	31 st March 2012
Creditors	24000	180000
Loan from Y	2,40,000	140000
Machinery	210000	150000
Stock	204000	196000
Bills Receivable	32000	24000
Bank Balance	48000	50000

18. Calculate the amount withdrawn by Surinder and total assets from the following details provided by him : he started business with cash ₹ 200000 as on 1st April 2011. During the year he suffered a loss of ₹ 20000. On 31st March 2012 his capital stood at ₹ 120000, bills payable at ₹ 10000 and bank overdraft of ₹ 6000 on 31st March 2012.

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

- Increase in one asset, decrease in another asset
- Increase in asset, increase in liabilities
- Increase in asset, increase in owner's capital
- Decrease in assets, decrease in liabilities.
- Decrease in assets, decrease in owner's capital
- Increase in one liability, decrease in another liability



g) Increase in liabilities, increase in owner's capital.

h) Decrease in liabilities, increase in owner's capital.

20. From the following particulars, calculate closing capital :

October 1, 2011 : Commenced business with cash ₹ 12000 31st December 2011 :

Net loss as per P & L a/c ₹ 1080 Drawings during the period ₹ 900

21. Calculate the amount of total capital and assets as on 31.12.2011 in each of the following cases:

a) Shyam started a business on 1.1.2011 with a capital of ₹ 6000 and a loan of ₹ 3000 borrowed from Charan. During the year he made profit of ₹ 3000

b) If in the preceding case the proprietor had introduced additional capital of ₹ 3000 and had withdrawn ₹ 1800 for personal use.

c) If in the preceding case, apart from loan, shyam owes ₹ 1500 to a supplier of good on 31.12.2011

22. Mr X commenced his cloth business on 1st Jan 2001 with a capital of ₹ 18000. On 31st December 2011, his assets were worth ₹ 30000 and liabilities of ₹ 6000. Find out his closing capital and profits earned during the year.

23. X started a business on 1st January 1998 with a capital of ₹ 100000 and a loan of ₹ 50000 from the bank. On 31st December 1998, his assets were ₹175000. Find out his capital as on 31st December 1998 and profit earned during the year 1998.

24. Y started a business on 1st January 1998 with a capital of ₹200000 and a loan of ₹ 75000 from the bank. During the year he had introduced additional capital



of ₹ 60000 and had withdrawn ₹36000 for personal use. On 31st 1998 his assets were ₹380000. Find out his capital as on 31st December 1998 and profit earned during the year 1998.

25. Mr Tony had the following transactions:

- a) Commenced business with cash ₹ 30000
- b) Purchased goods for cash ₹ 12000 and credits ₹ 18000
- c) Sold goods for cash ₹ 24000, costing ₹ 18000
- d) Rent paid ₹ 300
- e) Rent outstanding ₹ 60
- f) Bought furniture ₹ 3000 on credit
- g) Bought refrigerator for personal use ₹ 3000
- h) Purchase building for cash ₹ 12000

Use accounting equation to show the effect of above transactions on his assets, liabilities and capital.

26. Prepare Accounting equation from the following :

- a) Raghu started business with cash ₹ 150000
- b) Bought goods for cash ₹ 80000 and on credit ₹ 40000.
- c) Goods costing ₹ 75000 sold at a profit of 33 1/3%. Half the payment received in cash.
- d) Goods costing ₹ 10000 sold for ₹ 12000 on credit
- e) Paid for rent ₹ 2000 and for salaries ₹ 4000
- f) Goods costing ₹ 20000 sold for ₹ 18500 for cash



27. Determine the missing amount on the basis of the accounting Equation.

Assets = Liabilities + Capital

(1) $40,000 = 25,000 + \text{Capital}$

(2) $40,000 = 25,000 + ?$

(3) $? = 10,000 + 20,000$

(4) $50,000 = ? + 20,000$

28. The assets of a business are worth ₹ 80,000 and its capital is ₹ 45,000. What will be the position of its liabilities?

29. Analyse the effect of each transaction on assets and liabilities and show that the both sides of the Accounting equation remains equal.

1. Introduced ₹ 6,00,000 as cash and ₹ 40,000 as goods.

2. Deposited ₹ 1,00,000 into the bank.

3. Goods costing ₹ 40,000 were sold for ₹ 50,000.

4. Purchased furniture for cash ₹ 1,00,000.

5. Purchased goods on credit for ₹ 50,000.

6. Withdrawn by the owner for personal use ₹ 25,000.

30. What will be the effect of the following in the Accounting equation?

1. Mohan started business with cash ₹ 20,000.

2. Purchased goods for cash ₹ 3,000 and on credit ₹ 2,000.

3. Sold goods for cash ₹ 4,000 (costing ₹ 3,000)

4. Rent paid ₹ 1,000.



31. Analyse the effect of each transaction on assets and liabilities and show that the both sides of the Accounting equation remains equal.

1. Introduced ₹ 6,00,000 as cash and ₹ 40,000 as goods.
2. Deposited ₹ 1,00,000 into the bank .
3. Goods costing ₹ 40,000 were sold for ₹ 50,000
4. Purchased furniture for cash ₹ 1,00,000.
5. Purchased goods on credit for ₹ 50,000.
6. Withdrawn by the owner for personal use ₹ 25,000.

32. Ram has the following transaction. Draw accounting equation to show the effect of these transactions on his assets, liabilities and capital and draw a balance sheet of the last new equation based.

1. Commenced business with cash ₹ 40,000.
2. Purchased goods for cash ₹ 5,000 and credit ₹ 6,000.
3. Purchased office equipment for cash ₹ 8,000.
4. Paid rent ₹ 2000.
5. Sold goods for cash ₹ 9,000 (costing ₹ 8,000).
6. Fire insurance premium paid ₹ 500.
7. Salary due but not yet paid (outstanding) ₹ 2,000.

33. Calculate the total equity if:

- (a) Owner's equity in the beginning is ₹ 90,000.
- (b) Equity of Creditors at the end is ₹ 75,000.
- (c) Revenue during the period is ₹ 80,000.



(d) Expenses during the period are ₹ 75,000.

Calculate the amount of Owner's equity at the end.

34. A started a business on 1st April 2004 with a capital of ₹ 1,00,000 and a loan of ₹ 50,000 borrowed from Bank. On 31st March 2005, his assets were ₹ 3,00,000. Find out his capital as on 31st March 2007 and profit earned during the year 2004-05.

35. Prepare accounting equation for the following:

- Started business with cash ₹ 50000 and goods ₹ 30000
- Purchased goods for cash ₹ 30000 and on credit from karan ₹ 20000
- Goods costing ₹ 40000 were sold for ₹ 55000
- Rent outstanding ₹ 2000

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