

Class 11th | Accountancy



ACCOUNTING EQUATION

LECTURE - 4



THANK YOU

Rohi Bha



Concept

Full Settlement

Cash
- 45000

Creditor
50000
- 50000

Capitals
+ 5000

G.
Purchase
50000
→ 45000

Interest on Capital → Capital

Expense

Capital -

Prop.

Capital +

Interest on Drawings → Drawings

Income

Capital +

Prop.

Capital -

Outstanding Expenses → Liability +

Expense → Capital -

Proprietor

Cap.
Debit +

Debit
Cap -

Prepaid Expense

Cash -

Assets +

Accrued income

Income → Capital +

Asset +

Advance Income

Liability +

Cash +

Depreciation

Expense
Capital -

Asset

Furniture -

Questions

Prepare the Accounting Equation on the basis of the following:

1.	Harish commenced business with cash	₹1,50,000
2.	Furniture purchased for cash.	₹20,000
3.	Purchased goods from Mahesh on credit.	₹25,000
4.	Sold Goods (Costing ₹10,000) to Mohan for cash.	₹14,000
5.	Additional capital introduced.	₹20,000
6.	Commission received in advance.	₹2,000
7.	Paid to creditor (Mahesh) 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%.	

Expense
↓
Capital
- 2000

Furniture
- 2000

→ Capital + Cash +

→ Liab + Cash +

→ Cash - 22500 Liab. (Cr.) - 25000 Capital + 2500

→ Asset
Cash + Debtor + Stock
+ 5000 + 13000 - 15000
Capital + 3000

Solution:

S. No.	Transactions	Assets (₹)				=	Liabilities (₹)			+ Capital (₹)
		Cash	+ Furniture	+ Stock	+ Debtors	=	Creditors	+ Comm Recd. in Advance		Capital
1.	Harish Commenced business with cash	1,50,000	+	0	+	0	+	0	+	1,50,000
2.	Furniture purchased for cash	-20,000	+	20,000	+	0	+	0	+	0
	New Equation	1,30,000	+	20,000	+	0	+	0	+	1,50,000
3.	Purchased goods from Mahesh	0	+	0	+	25,000	+	0	+	0
	New Equation	1,30,000	+	20,000	+	25,000	+	0	+	1,50,000
4.	Cash Sales (Profit ₹ 14,000 – ₹ 10,000)	14,000	+	0	-	10,000	+	0	+	4,000
	New Equation	1,44,000	+	20,000	+	15,000	+	0	+	1,54,000
5.	Additional capital introduced	20,000	+	0	+	0	+	0	+	20,000
	New Equation	1,64,000	+	20,000	+	15,000	+	0	+	1,74,000
6.	Commission received in advance	2,000	+	0	+	0	+	0	+	2,000
	New Equation	1,66,000	+	20,000	+	15,000	+	0	+	1,74,000
7.	Paid to creditor Mahesh ₹ 22,500 in full settlement	-22,500	+	0	+	0	+	-25,000	+	2,500
	New Equation	1,43,500	+	20,000	+	15,000	+	0	+	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	+	3,000
	New Equation	1,48,500	+	20,000	+	0	+	13,000	+	1,79,500
9.	Depreciation on furniture @ 10% on ₹ 20,000	0	-	2,000	+	0	+	0	-	2,000
	New Equation	1,48,500	+	18,000	+	0	+	13,000	+	1,77,500

* Agar transaction me "name" likha ho, wo credit transaction hota h. (Ques. 3)

Questions

Transactions of M/s Vipin Traders are given below: Show the effects on Assets, Liabilities and Capital with the help of accounting equation.

- (a) Business started with cash ₹1,25,000
- (b) Purchased goods for cash ₹50,000
- ✓ (c) Purchased furniture from R.K. Furniture ₹10,000
- (d) Sold goods to Parul Traders (Costing ₹7,000 vide bill no. 5,674) ₹9,000

Sol.

S. NO.	TRANSACTION	ASSETS	=	LIABILITY	+	CAPITAL
		Cash + Stock + Furniture + Debtor		Creditor (F)		
1.	Business started	125000				+125000
2.	Purchases	-50000 + 50000				
	NEW EQUATION	75000 + 50000				+125000
3.	Furniture purchased	+10000		+10000		
	NEW EQUATION	75000 + 50000 + 10000		+10000		+125000
4.	Credit sales	-7000 + 9000				+2000

- (e) Paid cartage ₹100
 (f) Cash Paid to R.K. Furniture in full settlement ₹9,700
 (g) Cash sales (costing ₹10,000) ₹12,000
 (h) Rent received ₹4,000
 (i) Cash withdrew for personal use ₹3,000

Drawings → Cash -
 Capital -

S. NO.	TRANSACTION	ASSETS	=	LIABILITY	+	CAPITAL
		Cash + Stock + Furniture + Debtor		Creditor (F)		
5.	New Eq. Cartage	75000 + 43000 + 10000 + 9000 - 100		+ 10000		+ 127000 - 100
6.	New Eq. Cash Paid in Full sett.	74900 + 43000 + 10000 + 9000 - 9700		+ 10000 - 10000		+ 126900 + 300
7.	New Eq. Cash sales	65200 + 43000 + 10000 + 9000 + 12000 - 10000		0		+ 127200 + 2000
8.	New Eq. Rent Received	77200 + 33000 + 10000 + 9000 + 4000		0		+ 129200 + 4000
9.	New Eq. Drawings	81200 + 33000 + 10000 + 9000 - 3000		0		+ 133200 - 3000
	New Eq.	78200 + 33000 + 10000 + 9000		0		+ 130200

Questions

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

Sol.

S. NO.	TRANSACTION	ASSETS		=	LIABILITY		+	CAPITAL
		Cash	+ Prepaid Rent		Outstanding Wages	+ Outstanding interest		
1.	Started Business	50000						50000
2.	Salary Paid	- 2000						- 2000
	NE	48000						48000
3.	Outstanding Wages				+ 200			- 200
	NE	48000			+ 200			+ 47800
4.	Outstanding Interest					+ 100		- 100
	NE	48000			+ 200	+ 100		+ 47700
5.	Prepaid Expence	- 150	+ 150					
	NE	47850	+ 150	=	+ 200	+ 100		+ 47700

Questions

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

Home work

Sol.

S. NO.	TRANSACTION	ASSETS	=	LIABILITY	+	CAPITAL
		Cash		outstanding Rent		
	Rent Paid & outstandg	-1000		+200		-1200

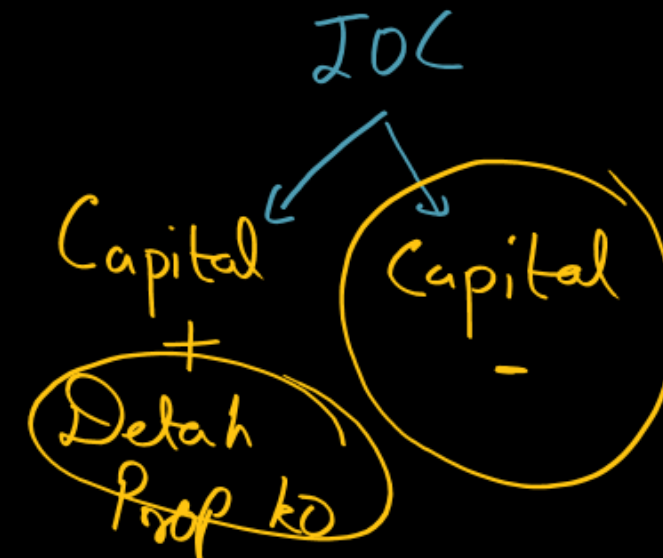
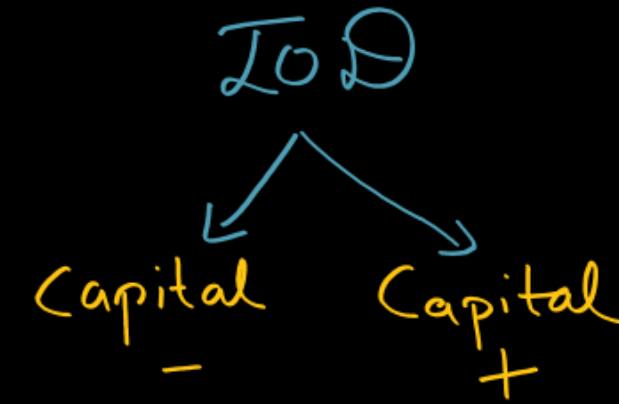
Questions

Anil had the following transactions:

1. Commenced business with cash ₹50,000.
2. Purchased goods for cash ₹20,000 and credit ₹30,000.
3. Sold goods for cash ₹40,000, costing ₹30,000.
4. Rent paid 500, Salaries ₹5,000.
5. Rent outstanding ₹100, Salaries Outstanding ₹1,000.
6. Bought furniture for ₹5,000 on credit.
7. Bought refrigerator for personal use ₹5,000.
8. Purchased computer for cash ₹20,000.
9. Cash withdrawn for personal use ₹10,000.
10. Interest on drawings charged ₹500 and the interest on Capital ₹1,000.

Use Accounting Equation to show the effect of the above transactions on his assets, liabilities and capital and also show his Balance Sheet.

Homework



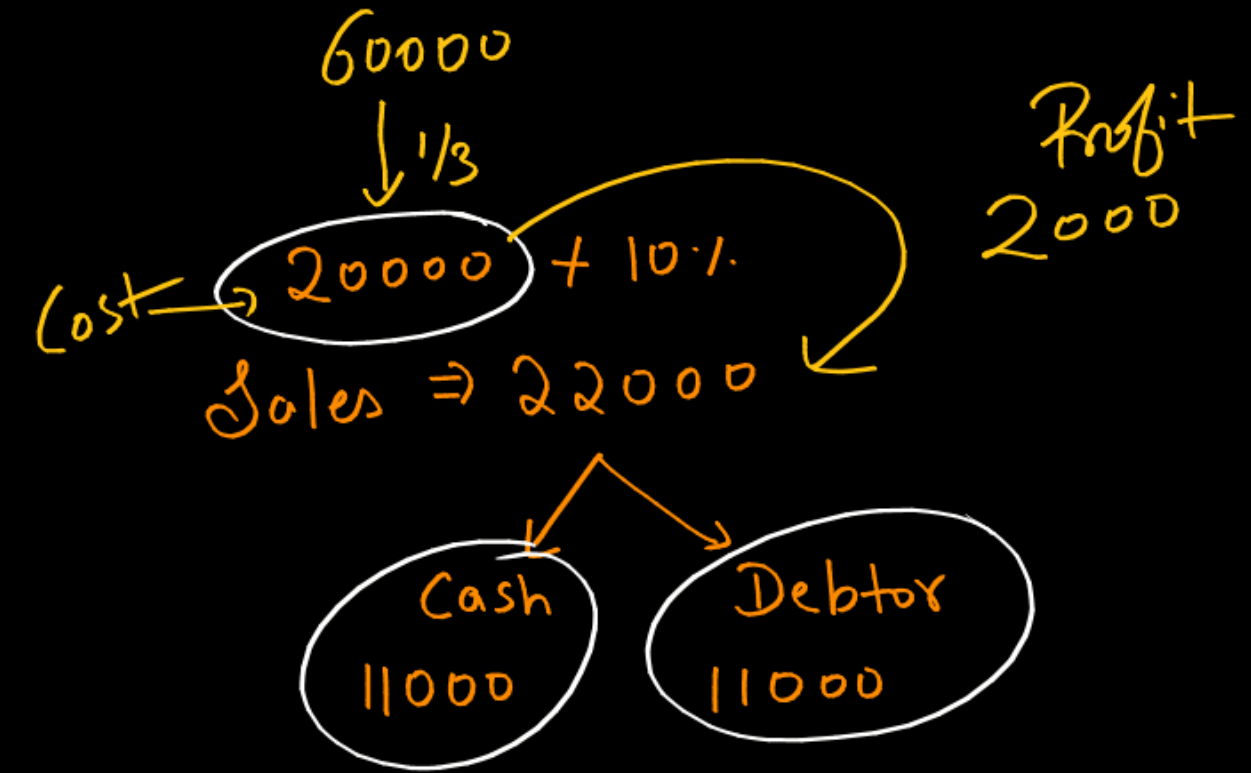
S. No.	Transactions	Assets				=	Liabilities + Capital			
		Cash	+ Stock	+ Furniture	+ Computer		Creditors*	+ Expenses Outstanding	+ Capital	
		₹	₹	₹	₹		₹	₹	₹	₹
1.	Commenced business with cash ₹ 50,000	50,000	+	0	+	0	+	0	+	50,000
2.	Purchased goods for cash ₹ 20,000 and credit ₹ 30,000	-20,000	+	50,000	+	0	+	0	+	0
	New Equation	30,000	+	50,000	+	0	+	0	+	50,000
3.	Sold goods for cash ₹ 40,000 costing ₹ 30,000	40,000	-	30,000	+	0	+	0	+	10,000
	New Equation	70,000	+	20,000	+	0	+	0	+	60,000
4.	Rent paid	-500	+	0	+	0	+	0	-	500
	Salaries paid	-5,000							-	5,000
	New Equation	64,500	+	20,000	+	0	+	0	+	54,500
5.	Rent Outstanding							+	100	- 100
	Salaries Outstanding	0	+	0	+	0	+	1,000	-	1,000
	New Equation	64,500	+	20,000	+	0	+	1,100	+	53,400
6.	Bought furniture for ₹ 5,000 on credit	0	+	0	+	5,000	+	0	+	0
	New Equation	64,500	+	20,000	+	5,000	+	1,100	+	53,400
7.	Bought refrigerator for personal use ₹ 5,000	-5,000	+	0	+	0	+	0	-	5,000
	New Equation	59,500	+	20,000	+	5,000	+	1,100	+	48,400
8.	Purchased computer for cash ₹ 20,000	-20,000	+	0	+	0	+	0	+	0
	New Equation	39,500	+	20,000	+	5,000	+	1,100	+	48,400
9.	Cash withdrawn for personal use	-10,000	+	0	+	0	+	0	-	10,000
	New Equation	29,500	+	20,000	+	5,000	+	1,100	+	38,400
10.	Interest on drawings	0	+	0	+	0	+	0	+	500
									-	500
	Interest on Capital								-	1,000
									+	1,000
	New Equation	29,500	+	20,000	+	5,000	+	1,100	+	38,400

Questions

Show an Accounting Equation for the following transactions:

1. 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.
2. 1/3rd of the above goods sold at a profit of 10% on cost and half of the payment is received in cash.
3. Depreciation on machinery provided @ 10%.

Sol.



S. NO.	TRANSACTION	ASSETS	=	LIABILITY	+	CAPITAL
		Cash + Bank + Stock + Machi + Fur + Debtor		1 Ap	Op. cap	
1.	Business started	50000 + 100000 + 60000 + 100000 + 50000				+ 360000
2.	Sales	+ 11000 (20000) + 11000				+ 2000
* 3.	New Eq Depreciation	61000 + 100000 + 40000 + 100000 + 50000 + 11000 (10000)				+ 362000 (10000)
	New Eq	61000 + 100000 + 40000 + 90000 + 50000 + 11000		31/March		+ 352000

H.W

1. Cash withdrawn for personal use ₹10,000.
2. Interest on drawings charged @ 5%. *10,000 × 5000*
3. Sold goods for Cash ₹10,000 at par.

S. NO.	TRANSACTION	ASSETS = LIABILITY + CAPITAL	

Questions

Give an example for each of the following type of transactions:

- (i) Increase in one asset, decrease in another asset.
- (ii) Increase in asset, increase in liability.
- (iii) Increase in asset, increase in owner's capital.
- (iv) Decrease in asset, decrease in liability.
- (v) Decrease in asset, decrease in owner's capital.

Sol.

- (i) Furniture/Building/Land/Stock purchased in cash
- (ii) _____ on credit / Bank loan
- (iii) _____ invested in business
- (iv) Bank loan paid./creditors paid
- (v) Depreciation, Salary/Rent/commission/wages/Carriage paid.

Questions

If the Capital of a business is ₹1,00,000 and outside liabilities are ₹60,000, Calculate total assets of the business.

$$\begin{aligned}\text{Assets} &= \text{Liab} + \text{Cap} \\ &= 60000 + 100000 \\ &= \underline{\underline{₹160000}}\end{aligned}$$

Questions

If total assets of a business are ₹2,00,000 and net worth (Capital) is ₹1,50,000, Calculate Creditors.

$$\text{Assets} = \text{Liab} + \text{Cap}$$

$$200000 = x + 150000$$

$$200000 - 150000 = x$$

$$\boxed{₹ 50000 = \text{Creditors}}$$

Opening Capital

Opening \longrightarrow Closing cap

100	Op. cap
+ 10	+ Profit (+ Income - Expenses)
- 5	- Drawings
<hr/>	<hr/>
105	Closing cap
<hr/>	<hr/>

$$105 + 5 - 10 \Rightarrow 100$$

Closing capital

Closing cap \longrightarrow Opening Capital

Closing Capital
- Profit (- Income + Expense)
+ Drawings
<hr/>
Opening capital
<hr/>

Questions

A commenced business on 1st April, 2017 with a Capital of ₹5,00,000. On 31st March, 2018, his assets were worth ₹7,80,000 and liabilities ₹70,000. Find out his closing capital and profits earned during the year.

$$\text{Closing Assets} = \text{Closing Liab} + \text{Closing Capital}$$

$$780000 = 70000 + \text{Closing Cap.}$$

$$780000 - 70000 = \text{Closing capital}$$

$$710000 = \text{Closing cap}$$

$$500000 = \text{Opening Cap}$$

$$\text{Profit} \Rightarrow (\text{Closing capital} - \text{Opening cap})$$

$$\Rightarrow 710000 - 500000$$

$$\Rightarrow ₹210000$$

500000	OP. Cap
+ x	+ Profit
<hr/>	<hr/>
710000	- 2x.
<hr/>	<hr/>
	Cl. Cap

Questions

1. Mohan started a business on 1st April, 2023 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, 2024 and withdrew cash ₹4,000 for personal use. What is his capital on 31st March, 2024?

2. Mahesh started a business with a capital of ₹15,000 on 1st April, 2023. During the year, he earned profit of ₹3,000. He owes ₹2,500 to suppliers of goods. What is the total of assets in his business on 31st March, 2024?

① Opening Capital = ₹10000

② Liab \Rightarrow 3000 X

③ Profit \Rightarrow 5000

④ Drawings = 4000

⑤ Closing cap

Op. Cap	\longrightarrow	10000
+ Profit	\longrightarrow	5000
- Drawings	\longrightarrow	(4000)
<hr/>		
Closing cap		<u>₹11000</u>

Questions

1. Mohan started a business on 1st April, 2023 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, 2024 and withdrew cash ₹4,000 for personal use. What is his capital on 31st March, 2024?

2. Mahesh started a business with a capital of ₹15,000 on 1st April, 2023. During the year, he earned profit of ₹3,000. He owes ₹2,500 to suppliers of goods. What is the total of assets in his business on 31st March, 2024?

Creditor

① Opening Capital = 15000

② Liab \Rightarrow 2500

③ Profit \Rightarrow 3000

④ Drawings.

⑤ Closing cap \rightarrow ?

Closing Cap \Rightarrow op cap + P - D

\Rightarrow 15000 + 3000 - 0

\Rightarrow ₹18000

Closing \Rightarrow Assets = Liab + Cap

Assets = 2500 + 18000

\Rightarrow ₹20500

Questions

On 31st March, 2024, 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 earned a profit of ₹20,000 during the year. Calculate the capital as on 1st April, 2023.

Closing

↳ Assets = 200000

↳ Liab = 6000

Closing
Capital

$$A = L + C$$

$$200000 = 6000 + C.C.$$

$$200000 - 6000 = \text{Closing cap}$$

$$\text{Closing Capital} = ₹194000$$

Additional Capital = 20000

Drawings \Rightarrow 12000

Profit \Rightarrow 20000

OPENING CAPITAL?

₹

(+) Additional Capital (+) 20000

(-) Drawings (-) 12000

(+) Profit (+) 20000

Closing Capital \rightarrow 194000

Opening Cap.

Closing Cap 194000

- Add Cap (20000)

- Profit (20000)

+ Drawing 12000

Opening Cap £166000

Liability

no new work

Questions

Calculate the amount of External Equities as on 31st March, 2024 in the following cases:

(i) On 31st March, 2024, total assets and capital were ₹15,00,000 and 10,50,000 respectively.

(ii) On 1st April, 2023, Mukesh started business with a capital of ₹3,00,000 and a loan of ₹3,00,000 borrowed from a friend. During the year, he earned profit of ₹1,50,000. On 31st March, 2024, total assets were ₹15,00,000.

(iii) On 1st April, 2023, Ramesh started business with a capital of ₹3,00,000 and a loan of ₹3,00,000 borrowed from a friend. During the year, he earned a profit of ₹1,50,000, introduced an additional capital of ₹1,80,000 and had withdrawn ₹90,000 for his personal use. On 31st March, 2024, total assets were ₹15,00,000.

Questions

Pranav started business on 1st April, 2023 with capital of ₹5,50,000^{of. cap}. On 31st March, 2024, his total assets were ₹10,75,000 and liabilities were ₹2,92,500. Calculate the amount by which his capital has increased as on 31st March, 2024.

$$\text{Closing} \rightarrow A = L + C$$

$$\rightarrow 1075000 = 292500 + \text{Closing cap.}$$

$$1075000 - 292500$$

$$782500 = \text{Closing cap}$$

55

232500 Profit

opening capital: 550000

NEXT TOPPERS -

Thankue
bachho !



Rohit sir ✗ (TO MILTE HAI
Rohit bhaiya ✗ AGLI CLASS MAI...)

Apke rohibha ..!

Baby to hu hi 😂

Apke pyare rohit sir!

@whynott_ashh_
By Astha

