Class 11th | Accountancy

प्रारंभ BATCH

ACCOUNTING EQUATION

LECTURE - 1

MEANING OF AN ACCOUNTING EQUATION

Accounting Equation is a mathematical expression based on Dual Aspects Concept of Accounting.

We can express it mathematically as follows:

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

Concept

Dual Aspect concept

It says every transaction has two aspects "Debit" and an equal "Credit"

Dr. ASSETS	Credit LIABILITIES	Credit CAPITAL	Credit INCOME	Debit EXPENDITURE
→ Furniture	→ Bank loan	+ Incomes	→ Sales	→ Salary & wages
→ Building / Land	→ Creditors	− Expenses	→ Interest received	→ Rent
→ Machinary	→ Bank overdraft		→ Rent received	→ Elec. expenses
→ Cash	→ Bills payble		→ Commission rcd.	→ Telephone
→ Stock			→ Dividend received	→ Discount
→ Bank				→ Purchases
→ Debtors				→ Repair
→ Patents				→ Depriciation
→ Fixtures				→ Tax paid
→ Goodwill				→ Cartage
				→ Carriag

Concept

Debit = Credit

Assets = Liability + Capital
Dr. Cr. Cr.

+ Income Cr.
− Expense Dr.

Furniture Purchase

Furniture +
Cash −

Salary Paid

Salary +
Cash −

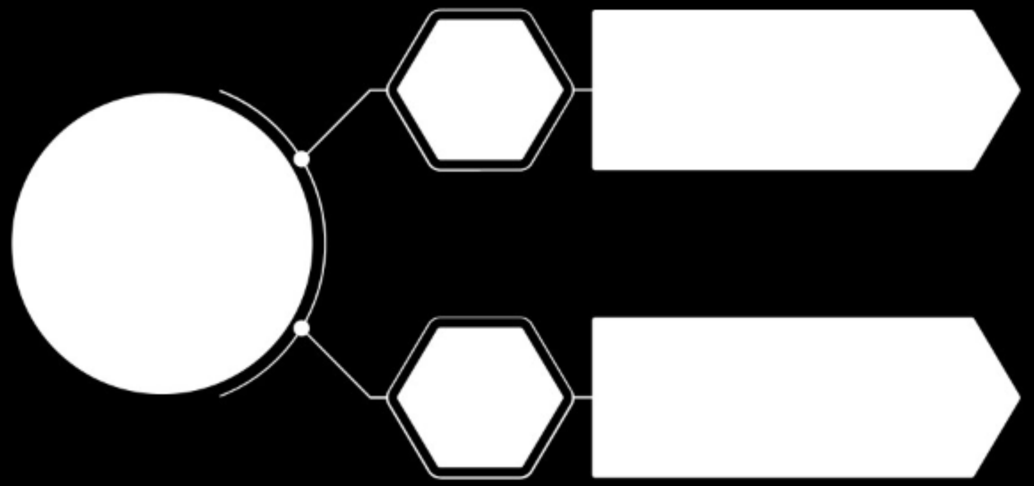
Capital Introduced

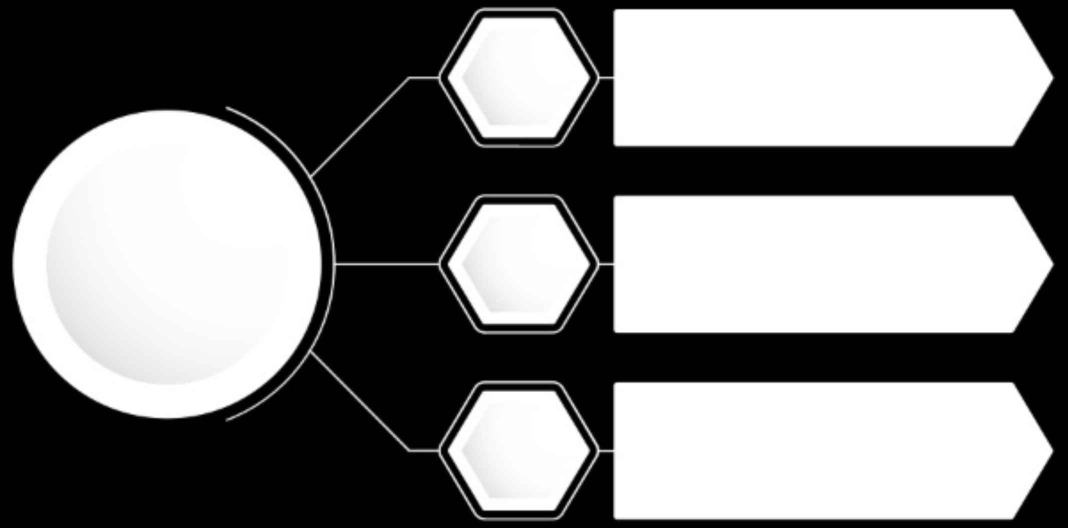
Capital +
Cash +

Effect of Transactions on Accounting Equation

Transaction Affecting Two Items.

Transaction Affecting More Than Two Items





FORMAT

S. NO.	TRANSACTION	ASSETS	= LIABILITY + CAPITAL

प्रारंभ BATCH

Next Toppers

$122300 + 5000 + 16000 = 36000 + 107300$

$143300 = 143300$

Questions

Prepare Accounting Equation form the following-

1.	Sandeep started business with Cash	₹1,00,000
2.	Purchased furniture for cash	₹5,000
3.	Purchased goods for cash	₹20,000

stock cash

4.	Purchased goods on credit	₹36,000
5.	Paid for rent	₹700
6.	Goods costing ₹40,000 sold at a profit of 20% for cash	

$40000 \longrightarrow 48000$

$\frac{40000 \times 20}{100} = 8000$

Sol.

S. NO.	TRANSACTION	ASSETS: Cash	+ Furniture	+ Stock	= LIABILITY: Creditor	+ CAPITAL
1.	Business started with Cash	100000 +				+ 100000
2.	Purchased Furniture	− 5000	+ 5000			
	TOTAL	95000	+ 5000			+ 100000
3.	Purchased Goods	− 20000		+ 20000		
	Total	75000	+ 5000	+ 20000		+ 100000
4.	Purchased Goods on credit			+ 36000	+ 36000	
	Total	75000	+ 5000	+ 56000	+ 36000	+ 100000
5.	Rent Paid	− 700				− 700
	Total	74300	+ 5000	+ 56000	+ 36000	+ 99300
6.	Sales	+ 48000		− 40000		+ 8000
	Total	122300 + 5000				107300

Sales Debit Credit

cost	Sales	Profit
40	60	20 + Capital

Assets = Liab + Capital

Cash + Stock

+60 −40 = +20

20 = 20

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Thank You

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