

#### **ACCOUNTS**

### **BOOKS - ARYA ACCOUNTS (HINGLISH)**

### **ACCOUNTING EQUATIONS**

Illustration 1

**1.** Suppose Gopal starts a new business and the following successive transactions take palce:-



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1. Show the Accounting Equation on the basis of the following transaction and prepare a Balance Sheet on the basis of the last new equation:-





## Illustration 3

- **1.** Prepare 'Accounting Equation' from the following:
- (a) Started business with cash Rs.1,00,000.
- (b) Purchased goods for cash Rs.20,000 and on credit Rs.30,000.
- (c ) Sold goods for cash costing Rs. 10,000 and on credit costing Rs.
- 15,000 both at a prodit of 20%.



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1. Show the effect of the following transactions on Assets, Liabilities and

### Capital through accounting equation :

		Rs.
(a)	Started business with cash	1,20,000
(b)	Rent received	10,000
(c)	Invested in shares	50,000
(d)	Received diviend	5,000
(e)	Purchased goods on credit from Ragani	35,000
(f)	Paid cash for household expenses	7,000
(g)	sold goods for cash (costing Rs.10,000)	14,000
(h)	Cahs paid to Ragani	35,000
(i)	Deposited into bank	20,000



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## Illustration 5

1. 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
  - (b) Purchased goods for cash
  - (c) Purchased furniture from R.K. Furniture on Credit
  - (d)~ Sold goods to Parul Traders (costing Rs. 7,000 vide bill no. 5,674)
  - (e) Paid cartage
- (f) Cash Paid to R.K. Furniture in full settlement
- (g) Cash sales (costing Rs. 10,000)
- (h) Rent received
- (i) Cash withdrew for personal use



- **1.** Prove that Accounting Equation is satisfied in all following transactions of Sameer Goel :
- (i) Started business with Cash Rs. 1,00,000.
- (ii) Paid rent in advance Rs.3,000.
- (iii) Purchased goods for cash Rs.50,000 and Credit Rs. 20,000.
- (iv) Sold goods for Cash Rs. 80,000 costing Rs. 40,000.

- (v) Paid salary in cash in cash Rs. 4,500 and salary outstanding Rs. 1,000.
- (vi) Bought motor cycle for personal use Rs. 30,000.



Illustration 7

#### 1. Show the effect of following transactions on the accounting equation :

(1)	Manoj started business with	Rs.
	(i) Cash	2,30,000
	(ii) Goods	1,00,000
	(iii) Building	2,00,000
(2)	He purchased goods for cash	50,000
(3)	He sold goods for cash (costing Rs.20,000)	35,000
(4)	He purchased goods from Rahul	55,000
(5)	He sold goods to Varun (costing $Rs.52,000$ )	60,000
(6)	He sold goods	53,000
(7)	Salary paid by him	20,000
(8)	Received cash from Varun in full settlement	59,000
(9)	Rent outstanding	3,000
(10)	Commission received by him	13,000
(11)	Amount withdrawn by him for personal use	20,000
(12)	Depreciation charged on building	10,000

## Illustration 8

- **1.** Prove that the accounting equation is satisfied all the following transaction of Sudhir:
- 1. Started business with Cash Rs. 50,000 and goods Rs.20,000.
- 2. Bought goods for Cash Rs.15,000 and on credit for Rs.10,000.
- 3. Goods Costing Rs.24,000 sold at a profit of  $33\frac{1}{3}$  % . Half the payment received in cash.
- 4. Purchased furniture for office use Rs.6,000 and for household use of Sudhir Rs. 4,000.



- 1. If the Capital of a business is Rs.1,00,000 and outside liabilities are
- Rs.60,000, Calsulate total assets of the business.



## Illustration 10

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



Rs. 1,50,000, Calculate Creditors.

# Illustration 11

1. A commenced business on 1st April,2011 with a Capital of Rs. 5,00,000.

On 31st March, 2012, hisn assets were worth Rs. 7,80,000 and liabilities Rs.

70,000. Find out his closing capital and profits earned during the year.



**1.** (a) Surender Mohan started business on 1st April, 2011 with Capital of Rs. 7,50,000 and a loan of Rs. 2,00,000 taken from Punjab National Bank. On 31 st March, 2012 his assets were Rs.15,00,000. Find out his Capital on 31st March, 2012 and profit made or losses incurred during the year 2011-12.

(b) If in the above illustration, the proprietor had introduced additional capital of Rs. 1,25,000 and had withdrawn Rs. 40,000 for personal purposes, find out the profit.



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- 1. Give an example for each of the following type of transactions:
- (i) Increase in one asset, decreae in another asset.
- (ii) Increase in asset, increase in liability.
- (iii) Increase in asset, increase in owner's capital.

- (iv) Decease in asset, decrease in liablility.
- (v) Decrease in asset, decrease in owner's capital.



## Illustration 14

- **1.** On which side will be the increase in the following accounts be recorded? Also mention the nature of Account -
- 1. Cash
- 2. Machinery
- 3 Debtor
- 4.Creditor
- 5. Proprietor's Accountbr
- 6. Rent Received
- 7. Salary Paid
- 8. Interest Received



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- 1. On which side the decrease in the following accounts be recorded? Also mention the nature of Account : -
- 1. Furniture
- 2. Bank
- 3. Proprietor's Account
- 4. Salary Paid
- 5. Salary Outstanding
- 6. Subhash a Customer



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- 1. From the following transactions, state the nature of accounts and state
- which account will be debited and which account will be credited:
- 1. Sahdev started business with cash Rs. 5,00,000.

- 2. Purchased goods for cash Rs. 20,000.
- 3. Purchased goods from Raghubir on credit for Rs.25,000.
- 4. Purchased furniture from Fancy Furniture House for Rs.1,50,000 on credit.
- 5. Sold goods for cash R. 30,000.
- 6. Sold goods to Yuvraj on credit for Rs. 50,000.
- 7. Cash paid to Raghubir Rs. 20,000.
- 8. Cash received from Yuvraj Rs. 15,000.
- 9. Paid rent Rs. 10,000.



- **1.** Open 'T' shape account for furniture and write the following on the proper side :
- 1. Furniture purchased for Rs.20,000
- 2. Furniture sold costing Rs. 5,000
- 3. Furniture again purchased for Rs. 8,000

- 4. Old Furniture discarded for Rs.2,500
- 5. Value of Furniture was reduced by Rs. 2,000



Illustration 18

- **1.** Open 'T' shape account of our creditor 'Sanjay' and write the following transactions on the proper sise :
- 1. Purchased goods from Sanjay on Credit for Rs. 40,000.
- 2. Paid to Sanjay Rs. 25,000.
- 3. Again purchased goods from Sanjay on Credit for Rs. 16,000.
- 4. Goods returned to Sanjay for Rs. 2,000.
- 5. Paid to Sanjay Rs. 20,000.



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1. Put the following on the proper side of Debtor's A/c, Creditor's A/c and Cash A/c:
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- 1. From the following particulars prepare the Proprietor's Captial Account:
- - View Text Solution

# **Short Answer Questions**

1. Give two basic purposes of accounting equation.



2. Which of the following equations are correct?

I. Assets = Capital + Liabilities

II. Assets = Capital - Liabilities

III. Assets = Liabilities - Capital

IV. Capital = Assets - Liabilities

V. Capital = Assets + Liabilities

VI. Liabilities = Capital + Assets VII. Liabilities = Capital - Assets

VIII. Liabilities = Assets - Capital



**3.** The position of a businessman on 30th June 1994 was as follows: - Cash Rs. 5,000, Debtors Rs. 20,000, Machinery Rs. 60,000, Stock Rs. 25,000,

Capital Rs. 75,000. Calculate his liabilities.



**4.** What entry (debit or credit ) would you make to (a) increase in revenue

(b) decrease in expense, (c) record drawings, (d) record the fresh capital

introduced by the owner.



5. If a transactions has the effect of decreasing an asset, is the decrease recorded as a debit or as a credit? If the transaction has the effect of decreasing a liability, is the decrease recorded as a debit or as a credit?



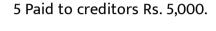
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- 6. Which transactions will:
- I. Decrease the Assets and Decrease the Capital.
- II. Increase the Assets and Increase the Liabilities.
- III. Increase the Assets and Decrease another Asset.
- IV. Decrease the Assets and Decrease the Liabilities.



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7. What will be the effect of the following on the Accounting Equation :-	
1. Purchased goods for Rs.20,000 from Mahesh on Credit.	
2. Sold goods to Suresh costing Rs.8,000 for Rs. 10,000 in cash.	
3. Paid Wages Rs.500.	
4. Withdrew in cash for private use Rs. 2.000.	





# Very Short Answer Questions

1. What is an accounting equation?



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2. Give fundamental accounting equation.



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3. If the Capital of a business is Rs.5,00,000 and Outside liabilities are Rs.2,00,000, calculate total assets of the business.



4. If total assets of a business are Rs. 10,00,000 and capital is Rs. 4,00,000, calculate creditors.

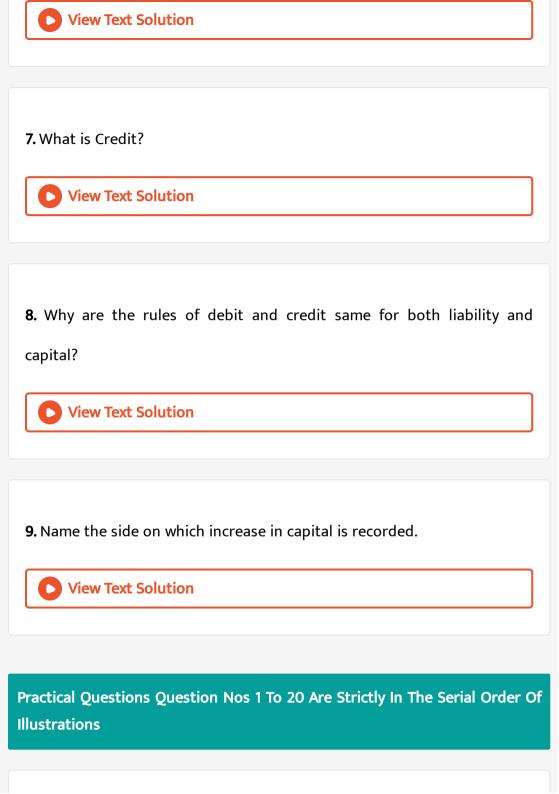


5. X' commenced business on 1st April, 2013 with a capital of Rs.6,00,000. On 31st March, 2014 his assets were worth Rs. 8,00,000 and liabilities Rs.

50,000. Find out his closing capital and profits earned during the year.



6. What is Debit?



1. Prepare Accounting Equation from the following:-**View Text Solution** 2. Show the Accounting Equation on the basis of the following and present a balance sheet on the last new equation balance: **View Text Solution** 

- **3.** Prove that the Accoounting Equation is satisfied in all the following transaction of Rajaram. Also prepare a Balance Sheet:
- 1. Started business with Cash Rs. 1,20,000.
- 2. Purchased a typewriter for Cash for Rs.8,000 for office use.
- 3. Purchased goods for Rs. 50,000 for cash.
- 4. Purchased goods for Rs.40,000 on credit.
- 5. Goods costing Rs.60,000 sold for Rs. 80,000 on credit.

- 6. Paid for Rent Rs. 1,500 and for salarires Rs.2,000.
- 7. Received Rs.800 for Commission.
- 8. Withdrew for private use Rs.5,000 in cash.



- 4. Prepare Accounting Equation from the following:
- (a) Started business with Cash Rs. 2,00,000.
- (b) Purchased goods for Cash Rs. 60,000 and on Credit Rs. 1,50,000.
- (c ) Sold goods for Cash costing Rs. 40,000 at a profit of 20% and on Credit costing Rs. 72,000 at a profit of 25%.
- (d) Paid for Rent Rs. 5,000.



**5.** Prepare Accounting Equation from the following:





**6.** Mohit has the following transactions, prepare Accounting Equation :





- 7. What will be the effect of the following on the Accounting Equation?
- (i) Harish started business with cash Rs. 1,80,000.
- (ii) Purchased goods for cash Rs. 60,000 and on credit Rs. 30,000.
- (iii) Sold goods for cash Rs. 40,000, costing Rs. 24,000.
- (iv) Rent paid Rs. 5,000, and rent outstanding Rs. 2,000.
- (v) Sold good on credit Rs. 50,000 (costing Rs. 38,000).
- (vi) Salary paid in advance Rs. 3,000.



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**8.** Use Accounting Equation to show the effect of the following transactions of M/s Royal Traders :





- 9. Prepare Accounting Equation from the following: -
- 1. Started business with cash Rs. 75,000 and goods Rs. 25,000.
- 2. Paid for Rent Rs. 2,000.
- 3. Bought goods for cash Rs. 30,000 and on credit for Rs. 44,000.
- 4. Goods costing Rs. 50,000 sold at a profit of 25% out of which Rs. 27,500 received in Cash.
- 5. Purchased a Motor cycle for personal use Rs. 20,000.



- 10. Prepare Accounting Equation from the following and also prepare a
- Balance Sheet: -
- 1. Raghu started business with Cash Rs. 1,50,000.
- 2. Bought goods for cash Rs. 80,000 and on credit for Rs. 40,000.
- 3. Goods costing Rs. 75,000 sold at a profit of  $33\frac{1}{3}$  % . Half the payment

received in cash. 4. Goods costing Rs. 10,000 sold for Rs. 12,000 on credit. 5. Paid for Rent Rs. 2,000 and for salaries Rs. 4,000. 6. Goods costing Rs. 20,000 sold for Rs. 18,500 for Cash. **Watch Video Solution** 11. If the Capital of a business is Rs. 1,20,000 and Qutside liabilities are Rs. 20,000, calculate total assets of the business. **Watch Video Solution** 12. If total assets of a business are Rs. 1,30,000 and capital is Rs. 80,000, calculate creditors. **Watch Video Solution** 

**13.** A' commenced his cloth business on 1st April, 2011 with a capital of Rs. 3,00,000. On 31st March, 2012 his assets were worth Rs. 5,00,000 and liabilities Rs. 1,00,000. Find out his closing capital and profits earned during the year.



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and profits earned during the year.

- **14.** (a) Yogesh commenced business on 1st April, 2011 with a Capital of Rs.
- 5,00,000 and a loan of Rs. 1,00,000 borrowed from Citi Bank . On 31st March, 2012 , his assets were Rs. 8,00,000. Calculate his closing capital
- (b) If in the above case, the proprietor had introduced fresh capital of Rs.
- 40,000 and had withdrawn Rs. 10,000 for personal purposes, calculate his profits.



- **15.** Give one example of each of the following transactions:
- (i) Increase in an asset and a liability.
- (ii) Decrease in an asset and a liability.
- (iii) Increase in assets and capital.
- (iv) Decrease in assets and capital.



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- 16. On which side the increase in the following accounts will be recorded?
- Also mention the nature of account : -
- 1. Furniture
- 2. Rent Paid
- 3. Commission Received
- 4. Salary Paid
- 5. Proprietor's Account
- 6. Debtor
- 7. Creditor



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17. On which side the decrease in the following accounts will be recorded?

Also mention the nature of account: -

- 1. Cash
- 2. Bank Overdraft
- 3. Rent Paid
- 4. Outstanding Rent
- 5. Prepaid Insurance
- 6. Manoj, Proprietor of the business



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- **18.** From the following tansaction, state the nature of accounts and state the accounts which will be debited and credited:
- 1. Ganesh started business with Cash Rs.2,00,000.
- 2. Purchased goods for Cash Rs. 60,000.
- 3. Sold goods for cash Rs.75,000.
- 4. Purchased goods from Nakul on Credit for Rs. 80,000.

- 5. Sold goods to Bhushan on Credit fro Rs. 50,000.
  - 6. Paid Cash to Nakul Rs. 20,000.
- 7. Received Cash from Bhushan Rs. 10,000.
- 8. Paid salary Rs. 20,000.



**19.** Open 'T' shape account for Machinery and write the following on the proper side :





- **20.** Open 'T' shape account of our creditor 'Raghubir' and write the following transactions on the proper side: -
- 1. Purchased goods from Raghubir on credit for Rs. 50,000.
- 2. Returned goods to Raghubir for Rs. 5,000.
- 3. Paid to Raghubir Rs. 30,000.

- 4. Purchased goods from Raghubir on credit for Rs.16,000.
- 5. Paid to Raghubir Rs. 20,000.



21. Put the following on the proper side of Cash account, Debtor's

account and Creditor's account:

- (a) Sold goods for cash Rs. 60,000.
- (b) Sold goods to Hari on credit Rs. 20,000.
- (c) Purchased goods from Krishan on credit Rs. 36,000.
- (d) Purchased goods from Krishan for cash Rs. 10,000.
- (e) Cash received from Hari Rs.15,000.
- (f) Cash paid to Krishan Rs. 28,000.



22. From the following transactions prepare the Proprietor's Accunt in 'T' shape:







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## **Additional Questions**

- 1. Prepare the Accounting Equation on the basis of the following:
- (a) Started business with cash Rs. 1,40,000 and Stock Rs. 2,50,000.
- (b) Sold goods (costing Rs. 50,000) at a profit of 25% on cost.
- (c) Deposited into bank account Rs. 1,80,000.
- (d) Purchased goods from Mohan Rs. 80,000.



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- 2. Prepare Accounting Equation on the basis of the following transactions
- (a) Started business with cash Rs. 70,000.

- (b) Credit purchase of good Rs. 18,000.
- (c) Payment made to creditors in full settlement Rs. 17,500.
- (d) Purchase of machinery for cash Rs. 20,000.

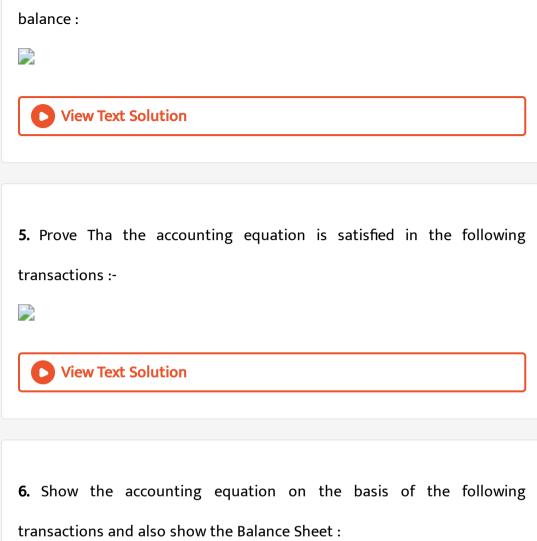


- 3. Prepare accounting equation from the following:
- (a) Started business with cash Rs. 50,000 and goods Rs.30,000.
- (b) Purchased goods for cash Rs. 30,000 and on credit from Karan Rs.
- 20,000.
- (c) Goods costing Rs.40,000 were sold for Rs. 55,000 for cash.
- (d) Withdrew cash for personal use Rs. 10,000.
- (e) Rent outstanding Rs.2,000.



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4. Show the accounting equation on the basis of the following transactions and present a Balance Sheet of the last new equation



- (i) Started business with Cash Rs.60,000 and Goods Rs.30,000.
- (ii)Purchased goods for Cash Rs.40,000 and on Credit Rs. 25,000.
- (iii) Goods costing Rs. 48,000 sold at a profit of  $33\frac{1}{3}\,\%$  . Three -fourth payment received in Cash
- (iv) Goods costing Rs. 20,000 sold at a loss of 5%, out of which Rs. 12,000 received in Cash.

- (v) Paid Rent Rs. 4,000 and Salary Rs. 6,000.
- (vi) Received Cash from Debtors Rs.15,000.
- (vii) Paid telephone bill amounting to Rs.800.



- **7.** Show the accounting equation on the basis of following transactions:
- (i) Commenced business with Cash Rs.20,000, Goods Rs. 50,000 and
- Furniture Rs. 30,000. (ii) Purchased goods from Gopal on Credit Rs.40,000.
- (iii)Sold goods for Cash Rs.40,000 (Costing Rs. 30,000).
- (iv) Sold goods to Ram on Credit Rs. 65,000 (Costing Rs. 50,000).
- (v) Withdrew for personal use goods costing Rs. 5,000.

(vii) Purchased chairs for office use for Cash Rs. 10,000.

- (vi) Purchased typewriter for personal use of the proprietor Rs. 20,000.
- (viii) Paid for printing Rs. 500 and received Commission Rs.1,200.
- (ix) Introduced fresh Captial Rs. 40,000.
- (x) Paid to Gopal Rs. 30,000.



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**8.** X started a business on 1st April , 2013 with a Capital of Rs. 1,00,000 and a loan of Rs. 50,000 from the bank. On 31st March, 2014, his assets were Rs. 1,75,000. Find out his Capital as on 31st March, 2014 and profit earned during the year 2013-14.

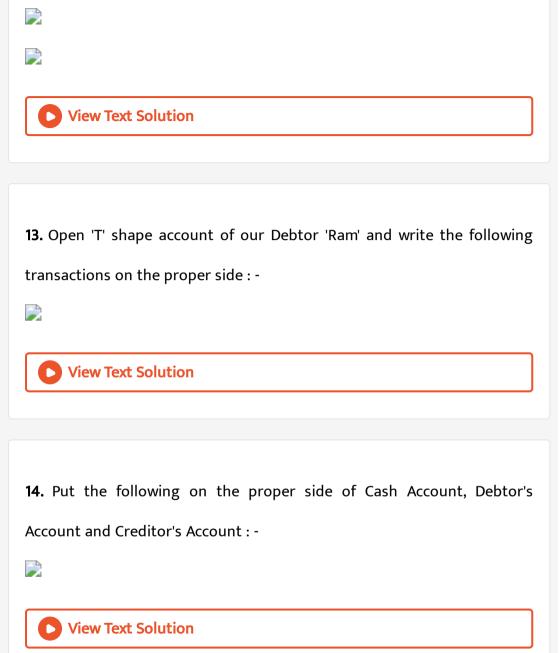


**9.** Y started a business on 1st Aptil, 2013 with a Capital of Rs. 2,00,000 and a loan of Rs.75,000 from the bank. During the year, he had introduced additional capital of Rs. 60,000 and had withdraw Rs.36,000 for personal purposes. On 31st March, 2014 his assets were Rs. 3,80,000. Find out his Capital as on 31st March, 2014 and profit earned during the year 2013-14.



**10.** On which side will the increase in the following accounts be recorded ? Also mention the nature of account :

1. Furniture		
2. Wages paid		
3. Rent Received		
4. Cash		
5. Proprietor's Account		
6. Debtor 7. Prepaid Insurance		
8. Outstanding Salary		
View Text Solution		
11. Open 'T' shape account for Furniture and write the following on the		
proper side:-		
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12. Open 'T' shape account of our Creditor 'X' and write the following		
<b>12.</b> Open 'T' shape account of our Creditor 'X' and write the following transactions on the proper side :		



- 15. Prove that accounting equation is satisfied in all the following cases:
- (a) Commenced business with cash Rs. 50,000.
- (b) Paid rent Rs.4,000 including Rs.1,000 as advance.
- (c) Bought goods for cash Rs.30,000 and on credit Rs. 20,000.
- (d) Sold the goods bought on credit for Rs.25,000.
- (e) Purchased furniture worth Rs.10,000 for office use and for Rs.5,000 for domestic use.



- 16. Prepare accounting equation from the following:
- (i) Started a business with cash Rs.1,00,000 and goods worth Rs.20,000.
- (ii) Sold 50% of above goods at a profit of Rs. 2,000 on credit to Ram.
- (iii) Rent paid Rs.5,000.
- (iv) Ram paid 50% of his balance in cash.



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