

Q5. Use accounting equation to show the effect of the following transactions of M/s Royal Traders:

(a)	Started business with cash	1,20,000
(b)	Purchased goods for cash	10,000
(c)	Rent received	5,000
(d)	Salary outstanding	2,000
(e)	Prepaid Insurance	1,000
(f)	Received interest	700
(g)	Sold goods for cash (costing Rs 5,000)	7,000
(h)	Goods destroyed by fire	500

Answer:

c N			Assets	ļ	=	Liabilities	+	Capital
S.No	Explanation				. 0	utstanding Expen	L	
		Cash +	Stock +	es es		565		
(a)	Increase in cash	1,20,00 0						
(4)	nicrease in casii							1,20,00
	Increase in capital							1,20,00
		1,20,00			_			1,20,00
		0				NIL	+	0
(b)	Increase in stock		10,00					
.,		(10,00						
	Increase in cash	0)			=			
		1,10,00	10,00		=	NIL	_	1,20,00
(-)	Increase in cash	0 +	U			NIL	+	0
(c)	Increase in cash Increase in capital (Profit)	5,000						5,000
	increase in capital (Front)							3,000
		1,15,00	10,00					1,25,00
		1,13,00	0,00		=	NIL	+	1,23,00
	Increase in outstanding expe				=			
(d)	nses					2,000		
	Decrease in capital (Expense)							(2,000)
	<i>'</i>	1.15.00	10.00					1,23,00
		0 +	0		=	2,000	+	0
(e)	Increase in prepaid expenses			1,000				
	Decrease in cash	(1,000)						
		1,14,00	10,00	1.000	=	2.000		1,23,00
		0 +	0 +	1,000		2,000	+	0
(f)	Increase in cash	700						700
	Increase in capital (Profit)	1.14.20	10.00					
		1,14,70 0 +	10,00 0 +	+ 1,000	=	2,000	+	1,23,70 0
(g)	Increase in cash	7,000		-		-		
			(5,00					
	Decrease in stock		0)					
	Increase in capital (Profit)							2,000
		1,21,70 0 +	5,000 +	+ 1,000	=	2,000	+	1,25,70
(h)	Decrease in stock	0 +	(500)	1,000		2,000	Т	0
(11)	Decrease in Stock		(300)					

********* END ********