



Q8. Show the effect of following transaction on the accounting equation:

		Rs
(a)	Manoj started business with	
	(i) Cash	2,30,000
	(ii) Goods	1,00,000
	(iii) Building	2,00,000
(b)	He purchased goods for cash	50,000
(c)	He sold goods(costing Rs 20,000)	35,000
(d)	He purchased goods from Rahul	55,000
(e)	He sold goods to Varun (Costing Rs 52,000)	60,000
(f)	He paid cash to Rahul in full settlement	53,000
(g)	Salary paid by him	20,000
(h)	Received cash from Varun in full settlement	59,000
(i)	Rent outstanding	3,000
(j)	Prepaid Insurance	2,000
(k)	Commission received by him	13,000
(l)	Amount withdrawn by him for personal use	20,000
(m)	Depreciation charge on building	10,000
(n)	Fresh capital invested	50,000
(o)	Purchased goods from Rakhi	6,000

Answer :

S.No.	Explanation	Assets					=	Liabilities		+ Capital
		Cash	+ Stock	+ Building	+ Debtors	+ Prepaid Expenses		Creditors	+ Outstanding Expenses	
(a)	Increase in cash, stock and building	2,30,000	+ 1,00,000	+ 2,00,000						
	Increase in capital									5,30,000
		2,30,000	+ 1,00,000	+ 2,00,000			=			+ 5,30,000
(b)	Increase in stock			50,000						
	Decrease in cash	(50,000)								
		1,80,000	+ 1,50,000	+ 2,00,000			=			+ 5,30,000
(c)	Increase in cash	35,000								
	Decrease in stock		(20,000)							
	increase in capital (Profit)									15,000
		2,15,000	+ 1,30,000	+ 2,00,000						

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