



Q7. 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 dividend	5,000
(e) Purchase goods on credit from Ragani	35,000
(f) Paid cash for house hold Expenses	7,000
(g) Sold goods for cash (costing Rs 10,000)	14,000
(h) Cash paid to Ragani	35,000
(i) Deposited into bank	20,000

Answer :

S.No.	Explanation	Assets				= Liabilities + Capital	
		Cash	+	Stock	+ Investment + Bank	Creditors	
(a)	Increase in cash	1,20,000					
	Increase in capital						1,20,000
		1,20,000	+			= NIL	+ 1,20,000
(b)	Increase in cash	10,000					
	Increase in capital (Income)					=	10,000
		1,30,000				= NIL	+ 1,30,000
(c)	Decrease in investment				50,000		
	Decrease in cash	(50,000)				=	
		80,000	+		50,000	= NIL	+ 1,30,000
(d)	Increase in cash	5,000					
	Increase in capital (Income)						5,000
		85,000	+		50,000	= NIL	+ 1,35,000
(e)	Increase in stock			35,000			
	Increase in creditor (Ragani)					35,000	
		85,000	+	35,000	+ 50,000	= 35,000	+ 1,35,000
(f)	Decrease in capital						(7,000)
	Decrease in cash	(7,000)					
		78,000	+	35,000	+ 50,000	= 35,000	+ 1,28,000
(g)	Increase in cash						

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