



Q4. Rohit has the following transactions:

	Rs
(a) Commenced business with cash	1,50,000
(b) Purchased machinery on credit	40,000
(c) Purchased goods for cash	20,000
(d) Purchased car for personal use	80,000
(e) Paid to creditors in full settlement	38,000
(f) Sold goods for cash costing Rs 5,000	4,500
(g) Paid rent	1,000
(h) Commission received in advance	2,000

Prepare the Accounting Equation to show the effect of the above transactions on the assets, liabilities and capital.

Answer:

S.No.	Explanation	Assets			Liabilities + Un ac cr ue d I nc o me	Capital
		Cash	+ Machinery	+ Stock	= Creditors	
(a)	Increase in cash	1,50,000				
	Increase in capital					1,50,000
(b)	Increase in machinery	1,50,000	40,000		= NIL	+ 1,50,000
	Increase in creditors				= 40,000	
(c)	Increase in stock	1,50,000 +	40,000	20,000	= 40,000	+ 1,50,000
	Decrease in cash	(20,000)				
(d)	Decrease in cash	1,30,000 +	40,000 +	20,000	= 40,000	+ 1,50,000
	Decrease in capital (Drawings)	(80,000)				(80,000)
(e)	Decrease in creditors	50,000 +	40,000 +	20,000	= 40,000	+ 70,000
	Decrease in cash	(38,000)			(40,000)	
	Increase in capital (Discount received)					

***** END *****