



ILLUSTRATION: Prepare accounting equation on the basis of the following:

- (a) You started business with cash ₹. 2,00,000
- (b) Purchased goods from Naman for cash ₹. 40,000
- (c) Sold goods to Bhanu costing ₹. 10,000/- for ₹. 12,000
- (d) Bought furniture on credit ₹. 7,000

Sl. no	Explanation	Assets							=	Liabilities	+	Capital
		Cash	+	Stock	+	Debtors	+	Furniture		Creditors		Owners Equity
a	- Increase in cash	2,00,000		----		----		----		----		2,00,000
	- Increase in capital TOTAL ➡	2,00,000		----		----		----	=	----		2,00,000
b	- Increase in Goods			40,000		----		-----		----		
	- decrease in cash TOTAL ➡	(40,000)				----		-----	=	----		2,00,000
c	- Increase in debtors							-----		----		
	- decrease in Goods - PROFIT TOTAL ➡			(10,000)								2,000
		1,60,000	+	30,000	+	12,000		-----	=	----		2,02,000
d	- increase in creditors											
	- increase in furniture TOTAL ➡											
		1,60,000	+	30,000	+	12,000	+	7,000	=	7,000	+	2,02,000
		TOTAL ASSETS = 2,09,000								Liabilities + Capital = 2,09,000		