

Solution

ACCOUNTING EQUATION WS 2

Class 11 - Accountancy

Section A

1.
(c) Assets and Capital
Explanation: Capital is an amount invested by the owner. When the owner introduced fresh capital again in business it will increase assets and capital amount.
2.
(c) Both
Explanation: there can be effect only on one side with many transaction and many transaction affect the both side of the equation by increase or decrease with equal amount.
Like :- purchase of good affect only assets side with cash outflow and stock increment.
But payment to creditor affect cash and liability.
3.
(c) All of these
Explanation: All of these
4. (a) Increase assets and decrease assets
Explanation: True. Account Receivables are assets for business and when we will receive an amount from them it will increase cash or bank amount which is also assets. This means one side assets increases with cash inflow or other side assets decrease with account Receivable. Cash will increase and Bills receivable will decrease.
5.
(d) Decrease in asset and decrease in liability.
Explanation: Decrease in asset and decrease in liability.
6.
(c) ₹ 5,90,000
Explanation: ₹ 5,90,000
7. (a) Assets: Decrease, Liabilities: No Effect, Equity: Decrease
Explanation: when owner withdrew business assets for personal use it is called Drawing. It will affect the Asset and Equity. Drawing made out of business will decrease business assets and Equity but it will not affect liabilities of business.
8. (a) increase in asset and decrease in another asset
Explanation: Purchase of machine by cash means an increase in asset and decrease in the asset. For example Machinery purchase at Rs. 10,000 so Machinery increase and Rs. 10,000 Cash decrease.
9.
(c) Assets (1,10,000) = Liabilities (1,00,000) + Capital (10,000)
Explanation: Payment of interest (expenses) will reduce the capital, loan (liabilities) will be reduced as it is paid and cash (assets) will be reduced because it is used to pay both loan and interest.
10.
(b) ₹ 7,50,000
Explanation: Assets = Capital + Liabilities
Capital = Assets - Liabilities
Capital = ₹ 8,00,000 - ₹ 50,000
Capital = ₹ 7,50,000
11.
(c) Asset and Liability both
Explanation: Payment to creditor will decrease cash from assets and also the creditor balance from liability goes down . which means assets and liability decreases.

12. **(d)** either decrease in an asset or increase in another liability
Explanation: The decrease in one liability may lead to either decrease in assets or an increase in another liability. For example payment to creditors and creditors accepted bills.
13. **(a)** Commission received worth ₹ 2,000
Explanation: On assets side, cash is increased by ₹ 2,000. On capital side, income will increase the capital by ₹ 2,000 and liabilities are assumed to be unchanged since, question does not mention any information.
14. **(b)** liabilities, decreased
Explanation: Stock (assets) will reduce due to purchase return and creditors (liabilities) will also decrease by the same amount.
15. **(c)** Rs.2,50,000
Explanation: As per Accounting Equation:-
Assets = Capital + Liabilities
5,00,000 = Capital + 50,000
Therefore capital should be = 5,00,000 - 50,000 = Rs 4,50,000
Closing capital = opening capital + revenue - expenses
4,50,000 = 2,00,000 + 5,00,000 - Expenses
Expenses = 7,00,000 - 4,50,000 = Rs 2,50,000
16. **(b)** Depreciation provided on fixed assets
Explanation: Value of fixed asset will reduce due to depreciation and capital will decrease due to expenses.
17. **(d)** Decrease in capital
Explanation: withdrawal amount for personal use is called drawings which decreases capital amount and assets too.
18. **(b)** ₹ 5,10,000
Explanation: ₹ 5,10,000
19. **(b)** Balance sheet
Explanation: Accounting equation depicts the fundamental relationship among the components of balance sheet.
20. **(a)** None of these
Explanation: The correct equation will be
Assets = Liabilities + Capital
₹ 5,000 = 0 + ₹ 5,000
∴ Cash would increase by ₹ 15,000 and goods would decrease by ₹ 10,000 leading to total assets increasing by ₹ 5,000.
Since, company gets a profit (₹ 15,000 - ₹ 10,000) by selling goods at more than cost thus the profit would increase the capital.
21. **(b)** Factory owned by the company
Explanation: Assets are the property of a business in its name. So factory owned by company is example of assets
22. **(c)** ₹ 8,60,000
Explanation: As per accounting equation,
Assets = Owners equity + Liabilities
10,40,000 = Owner's equity + 1,80,000
∴ Owner's equity = 10,40,000 - 1,80,000 = ₹8,60,000
23. **(d)** Rs.60000

Explanation: Assets = Premises+ cash at bank + inventories

Assets = 55000+6500+12500

Assets = Rs. 74000

Creditors are liabilities.

Assets = Liabilities + Capital

74000= 14000+ Capital

Capital = 74000-14000

Capital = 60000Rs.

24. (a) Two or more

Explanation: Accounting equation is based on double entry system due to which every transaction affect atleast two or more account.

Example:-

i. Paid to creditor will affect cash or liability.

ii. Sold goods on cash at a profit will affect three account because it will increase cash, and stock will get decrease and profit will increase capital balance.

25.

(d) Decrease in one asset, increase in another asset

Explanation: Due to this transaction, land (asset) will increase and cash (asset) will decrease.

26.

(c) Rs.20,000

Explanation: We will decrease stock by the amount of cost of goods sold which is Rs 20,000 and not the sale price because in our stock goods worth Rs 20,000 are sold. hence it will decrease by Rs. 20,000.

27. (a) Capital

Explanation: The genral equation in accountancy is Capital = Assets - Liabilities.

Total Liabilities are sum total of Capital or other Liabilities.

28.

(d) Increase liabilities

Explanation: Provision for bad debt can deduct from debtors or can shown as a liability in the balance sheet. this will increase the liability balance or we can say reduces the assets balance.

29. (a) Loan

Explanation: Assets are property owned by business in its name. But loan is amount which business have to pay in future, it is an obligation or debt on business . So it is not assets.

30. (a) Increase stock

Explanation: when sumit will intoduce stock in business out of his personal funds then it will increase the stock column in assets and also the capital get increases.

31.

(d) Assets = Capital + Liabilities

Explanation: This equation is the base of accounting. This shows that the assets of the business is always equal to liability and capital .

32. (a) Assets

Explanation: Assets are the property owned by business having monetary value. Assets can be in tangible assets or intangible assets.

Example:- Cash, Bank, Stock, Debtors, Goodwill Etc.

33.

(b) All of these

Explanation: All of these

34.

(c) Rs.3200 Loss

Explanation: Profit/ Loss = Closing Capital + Drawing - opening Capital - Additional capital

Profit/Loss = 73,800 + 16,300 - 75,600 - 17,700

Profit/Loss = 90,100 - 93,300

Profit/loss = -3,200

Loss = Rs. 3,200

35. (a) No change, Increase, Decrease

Explanation: Outstanding expenses will be treated as a liability because these are expenses that are due to be paid but are not yet paid.

36.

(b) Assets - Liabilities = Capital

Explanation: Assets - Liabilities = Capital is the correct equation (based on double entry system).

37.

(b) Reduce Bank and Reduce Liability

Explanation: Creditors are liability for the entity. When company pays them then it will reduce the bank and creditors also.

38.

(c) Decrease by Rs.5000

Explanation: If liability decrease by 5000 this means there is a payment for any liability which means cash outflow . Cash is an assets which get decreases when we pay liability which means assets also decreases with same amount.

39.

(d) Assets: Increase, Liabilities: No Effect, Equity: Increase

Explanation: As the owner invests personal cash in the business, cash which comes on asset side increases and capital i.e. equity also increases as the owner's investment in the business increase. There is no change in Liabilities.

40. (a) ₹ 41,000

Explanation: Rs. (5000+12,000+30,000-6,000)=₹ 41,000

41.

(c) Rs.5000

Explanation: Total Assets = Capital + liabilities

Total Assets = 5000+ 10000

Total Assets = Rs. 15000

Total Assets = Other Assets + Cash

15000 = 10,000 + Cash

Cash= 15000- 10000

Cash =Rs. 5000

42.

(b) liabilities and assets

Explanation: liabilities and assets

43.

(d) Rs.6000

Explanation: Assets = Capital + liabilities

Assets =1000 + 5000

Assets = Rs. 6000

44.

(b) 60000

Explanation: Total Assets= Onwers equity + Creditors Equity

Total assets= 20000+40000

Total assets= 60000

45. (a) (iii), (i), (ii)

Explanation: (iii), (i), (ii)

46. **(d)** Assets = Capital + liabilities
Explanation: Assets = Capital + liabilities
47. **(b)** ₹ 25000
Explanation: Sale amount = Cost + Profit
Sale = 200000 + 25% of Cost
Sale = 200000 + 50000
Sale = 250000
All sale is in cash. So Cash Balance will increase by ₹ 250000.
48. **(a)** Interest on drawings provided
Explanation: Interest on drawings is an income for the firm (so increase in capital) and is an expense for the proprietor (so decrease in capital).
49. **(b)** Statement (iv) is Correct.
Explanation: Capital = Asset - Liabilities
50. **(b)** ₹ 2,60,000
Explanation: ₹ 2,60,000
51. **(b)** Assets = Liabilities - Capital
Explanation: Assets = Liabilities - Capital
52. **(b)** Drawings
Explanation: Drawing is amount withdrawn out of business for personal purpose which ultimately affects capital balance. As much as Drawing increases then capital Decreases.
53. **(d)** Rs 41,000
Explanation: Assets = Capital + Liabilities
Capital = Assets - Liabilities
Amount of Capital = 30,000 + 12,000 + 5,000 - (6,000)
= Rs 41,000
54. **(c)** Source Documents
Explanation: Source Documents
55. **(c)** Rs.18,000
Explanation: Cash received is total of cost + profit i.e. 15,000 + profit (20%) 3,000 = Rs.18,000. As goods are sold for Rs 18,000, so we will receive cash worth Rs 18,000 and cash will increase with Rs.18,000.
56. **(c)** Decrease in asset, decrease in capital
Explanation: Since an expense is entered into, a capital will is also treated as an internal liability. decrease and prepaid expense (asset) will be reduced.
57. **(c)** Rs.8000
Explanation: Total assets = capital + Liability
Total assets = Rs. 18000
Now,
Current assets = Cash + inventories+ Debtors
Current assets = 1000+4000+5000

Current assets = 10000
Total Assets = current Assets + Fixed Assets
18000 = 10000 + Fixed Assets
Fixed Assets = 18000 - 10000
Fixed Assets = Rs. 8000

58. **(b)** Decrease in assets, decrease in capital
Explanation: As drawings are made by the proprietor, it will reduce the capital as well as cash (asset).
59. **(d)** capital
Explanation: Total assets in a business are ₹ 8,00,000 and total liabilities are ₹ 5,00,000. The difference is called capital.
Capital = Total Assets - Total Liabilities
60. **(a)** Rs.4500 loss
Explanation: Profit/loss = Capital at end + drawings - capital at the beginning - Additional capital
Since there is no drawing and Additional capital, so
Profit/loss = Capital at end - capital at beginning
Profit/loss = 45500 - 50000
Profit/loss = -4500 Rs.
Hence there is Loss of 4500rs.
61. **(a)** An overdrawn balance on the firm's bank account
Explanation: amount overdrawn on the firm's account is the amount due on the part of firm to bank which increases liability.
62. **(c)** Dual concept
Explanation: Accounting equation is based on dual concept which is expressed by :- assets = Liability + capital.
There is always dual effect in accounting.
63. **(b)** Rs.15,000
Explanation: Stock will decrease by the cost of goods sold i.e Rs 15,000 and not through the sale price.
64. **(c)** Assets, Liabilities and Capital
Explanation: Assets, Liabilities and Capital
65. **(a)** increase in asset and increase in liability
Explanation: The purchase of furniture on credit means an increase in assets and an increase in liability. For example Furniture purchases at Rs. 12,000 from Furniture Mart so Furniture an assets increase and Furniture mart is become creditors and also increase the same value.
66. **(d)** All of these
Explanation: An increase in one asset is accompanied by all of the given situation consider a decrease in another asset, an increase in liability, and an increase in capital.
67. **(b)** Rs.35000
Explanation: The basic accounting equation says:-
Assets = Liabilities + capital
60000 = 25000 + Capital
Capital = 60000 - 25000
Capital = Rs. 35000

68. (a) ₹ 1,60,000

Explanation: Total Assets = Liabilities + Capital = Creditors + [Capital + Profit (Revenue - Expenses)]
= 60,000 + 0 + [80,000 + 20,000 (1,00,000 - 80,000)]
= 60,000 + 1,00,000
= ₹ 1,60,000 [Including stock ₹ 20,000]

Section B

69. (a) (50,000) + 50,000 = 0 + 0

Explanation: Amount of goods returned = 10,000 × 5 = ₹ 50,000
So, debtors decreased (assets decreased) and stock of goods is increased (assets increased).

70. (c) ₹ 70,000

Explanation: Assets = Liabilities + Capital
1,00,000 = 20,000 + 10,000 + Capital
So, Capital = ₹ 70,000

71. (a) 40,00,000 + (40,00,000) = 0 + 0

Explanation: Cash decreases and land increases by the same amount. Both are assets which are affected and either liabilities or capital is not affected.

72. (b) unchanged, unchanged, unchanged

Explanation: The accounting equation is
(2,50,000) + 1,25,000 + 1,25,000 = 0 + 0
i.e. Goods decreased + Cash increased + Debtors increased = Liabilities unchanged + Capital unchanged

Section C

73. (c) 10,00,000 = 10,00,000 + 0

Explanation: As a result of advanced received, cash would increase and advanced received against orders (liability as money is received but goods are not delivered yet) increase by the same day.

74. (d) Cheque

Explanation: Cheque

75. (d) All of these

Explanation: Assets = Liabilities + Capital
(1,00,000) + 1,00,000 = 0 + 0
i.e. Cash decreased and 3D moulder purchased (asset) thus, net assets remain unchanged along with liabilities and capital.