

ACCOUNTING EQUATION WS 2

Class 11 - Accountancy

Section A

1. Fresh capital introduction will increase: [1]
  - a) Assets and Liabilities
  - b) Liabilities and equity
  - c) Assets and Capital
  - d) Capital and Liabilities
2. Accounting equation may effect [1]
  - a) Only one side by increasing / decreasing it by equal amount
  - b) None
  - c) Both
  - d) Both side of equation by equal amount
3. Voucher is prepared for: [1]
  - a) Cash/Credit purchase
  - b) Cash received and paid
  - c) All of these
  - d) Cash/Credit sales
4. Collection of account receivable will: [1]
  - a) Increase assets and decrease assets
  - b) Decrease assets and Increase liabilities
  - c) Decrease assets only
  - d) Increase assets and decrease liabilities
5. Payment to a creditor means [1]
  - a) Increase in asset and increase in liability
  - b) Increase in asset and decrease in liability.
  - c) Decrease in asset and increase in liability.
  - d) Decrease in asset and decrease in liability.
6. Due to the following transactions, the total of accounting equation will be: [1]
  - i. Commenced business with cash ₹ 4,00,000
  - ii. Purchased goods on credit ₹ 1,75,000
  - iii. Goods costing ₹ 1,00,000 sold at a profit of 20% for cash
  - iv. Rent paid ₹ 5,000
  - a) ₹ 3,40,000
  - b) ₹ 4,90,000
  - c) ₹ 5,90,000
  - d) ₹ 4,40,000
7. The owner withdraws business assets for personal use. [1]
  - a) Assets: Decrease, Liabilities: No Effect, Equity: Decrease
  - b) Assets: No .Liabilities: Increase, Equity: No Effect
  - c) Assets: Decrease, Liabilities: Decrease, Equity: Decrease
  - d) Assets: Increase .Liabilities: Increase, Equity: Increase
8. Purchase of machine by cash means: [1]

- a) increase in asset and decrease in another asset                      b) Decrease in asset and decrease in liability.
- c) the decrease in asset and increase in capital                      d) increase in asset and decrease in liability
9. Which of the following is the correct accounting equation for repayment of loan amount of ₹ 1,00,000 along with interest of ₹ 10,000? **[1]**
- a) Assets (1,00,000) = Liabilities (1,00,000) + Capital (0)                      b) Assets (1,10,000) = Liabilities (0) + Capital (1,10,000)
- c) Assets (1,10,000) = Liabilities (1,00,000) + Capital (10,000)                      d) Assets (1,10,000) = Liabilities (1,10,000) + Capital (0)
10. X commenced business on 1<sup>st</sup> April 2022 with a capital of ₹ 6,00,000. On 31<sup>st</sup> March 2023, his assets were worth ₹ 8,00,000 and liabilities ₹ 50,000. Find out his closing capital. **[1]**
- a) ₹ 5,50,000                      b) ₹ 7,50,000
- c) ₹ 6,50,000                      d) ₹ 2,00,000
11. Payment to creditors in cash will affect **[1]**
- a) Only liability side of the equation                      b) Only assets side of the equation
- c) Asset and Liability both                      d) Only capital side of the equation
12. The decrease in one liability may lead to: **[1]**
- a) increase in another liability                      b) the decrease in an asset
- c) the decrease in an capital                      d) either decrease in an asset or increase in another liability
13. As the effect of a transaction, capital of the company increased by ₹ 2,000 and assets also increased by ₹ 2000. Identify the transaction. **[1]**
- a) Commission received worth ₹ 2,000                      b) Goods costing ₹ 10,000 sold for ₹ 8,000
- c) Both Goods costing ₹ 10,000 sold for ₹ 8,000 and Commission received worth ₹ 2,000                      d) Goods purchased on credit ₹ 2,000
14. When goods are returned to supplier assets and \_\_\_\_\_ are \_\_\_\_\_ by same amount. **[1]**
- a) liabilities, increased                      b) liabilities, decreased
- c) assets, increased                      d) assets, decreased
15. Calculate total expenses if capital Rs.2,00,000, creditors Rs. 50,000, revenue Rs.5,00,000 and asset Rs. 5,00,000. **[1]**
- a) Rs.5,50,000                      b) Rs.7,00,000
- c) Rs.2,50,000                      d) Rs.3,50,000
16. For which of the following transactions, assets and capital will decrease by same amount? **[1]**
- a) Goods sold for cash at a profit                      b) Depreciation provided on fixed assets
- c) Goods sold for cash                      d) Fixed asset purchased on credit
17. If the business's owner withdraws cash for his/her personal use what will be the effect on capital? **[1]**









- c) Rs 47,000  
d) Rs 41,000
54. Voucher is prepared from: [1]  
a) Ledger Account  
b) All of these  
c) Source Documents  
d) Journal Entry
55. Goods costing Rs.15,000 were sold for cash at a profit of 20%. By what amount cash increase [1]  
a) Rs.13,000  
b) Rs.12,000  
c) Rs.18,000  
d) Rs.15,000
56. Services for which prepaid expenses were paid are now availed by Sonu Enterprises. What will be its effect on the accounting equation? [1]  
a) Increase in asset, increase in liabilities  
b) Increase in asset, increase in capital  
c) Decrease in asset, decrease in capital  
d) Decrease in asset, decrease in liabilities
57. If Cash= Rs.1000; inventories= Rs.4000 Debtors= Rs.5000; fixed assets=? Capital + Liabilities= Rs.18000. Find out the Amount of fixed assets? [1]  
a) Rs.15000  
b) Rs.20000  
c) Rs.8000  
d) Rs.10000
58. When cash is withdrawn by proprietor, what is its impact on accounting equation? [1]  
a) Increase in assets, increase in capital  
b) Decrease in assets, decrease in capital  
c) Increase in assets, increase in liabilities  
d) Decrease in assets, decrease in liabilities
59. Total assets in a business are ₹ 8,00,000 and total liabilities are ₹ 5,00,000. The difference is called: [1]  
a) expenses  
b) income  
c) goodwill  
d) capital
60. Capital at the end Rs.45,500 and capital in the beginning Rs.50,000. Difference of opening and closing capital is [1]  
—  
a) Rs.4500 loss  
b) Rs. 4500 additional capital  
c) Rs.4500 revenue  
d) Rs. 4500 profit
61. Which of the following is a liability [1]  
a) An overdrawn balance on the firm's bank account  
b) Money owned by the firm  
c) Cash in hand  
d) Factory owned by the firm
62. Accounting equation is based on [1]  
a) Single concept  
b) Both  
c) Dual concept  
d) None
63. Goods costing Rs. 15,000 were sold for cash at a profit of 20%. By what amount stock account will decrease: [1]  
a) Rs.20,500  
b) Rs.15,000  
c) Rs.25,000  
d) Rs.1,500



c) ₹ 70,000

d) ₹ 1,00,000

**Question No. 71 to 72 are based on the given text. Read the text carefully and answer the questions:**

[2]

Joe and Jimmy started a bat manufacturing company. They set up a factory in Meerut (UP) on a land purchased for ₹ 40,00,000. They purchased raw material from a trader in Jalandhar (Punjab) for ₹ 5,00,000 at credit.

However, they did not like the quality of some of the goods that were sent and therefore decided to return the same.

The company were producing premium bats. Even some of the domestic players of Indian cricket team purchased bats from the company and endorsed the same as well. This led to mass orders rolling in frequently.

After a year, they also started to get bulk orders from academies, institutes and corporates. On one instance, they were given an order by NPS Public School, one of the largest school chains in the country for bat worth ₹ 2,50,000.

The company took a week to fulfil and received half the payment while the other half was due for 6 months later. The company successfully delivered the bats to the head office of NPS Public School in Delhi.

71. What was the accounting equation for the transaction of land purchased? (The options are in the format of Assets = Liabilities + Capital)

a)  $40,00,000 + (40,00,000) = 0 + 0$

b)  $40,00,000 = 40,00,000 + 0$

c)  $0 = 40,00,000 + (40,00,000)$

d)  $40,00,000 = 0 + 40,00,000$

72. As a result of transaction with NPS school, the company's net assets \_\_\_\_\_, liabilities \_\_\_\_\_ and capital (ignore profit/loss).

a) increased, increased, unchanged

b) unchanged, unchanged, unchanged

c) increased, unchanged, unchanged

d) decreased, decreased, unchanged

### Section C

**Question No. 73 to 75 are based on the given text. Read the text carefully and answer the questions:**

[3]

KLR Ltd. is publicly listed company trading in EV batteries. The company is known to have an advanced version of EV battery which can be used in almost all types of EV cars. As a result of onset of EV trend in India, company is getting lot of pre-orders.

Recently, one of the largest cab aggregators of India collaborated with the company to get batteries. Against this order, company received an advance of ₹ 10,00,000. When the EV batteries were delivered, company received the rest of the payment of ₹ 5,00,000.

The company sent a source document for these goods sold. Consequently, the company deposited the money received in the bank account.

To produce and fulfil the further orders, the company decided to purchase a new 3D moulder. It was worth ₹ 1,00,000 and company issued a document in writing drawn upon a specified banker and payable on demand.

The company also employed an experienced manager to streamline the operations. As a result, company continued to prosper and its stock prices also shot up.

73. What is the accounting equation for advance received against order?

[Use format Asset = Liabilities + Capital]

a)  $10,00,000 + (10,00,000) = 0 + 0$

b)  $15,00,000 + (15,00,000) = 0 + 0$

c)  $10,00,000 = 10,00,000 + 0$

d)  $10,00,000 = (10,00,000) + 0$

74. Which document is highlighted in the line, **It was worth ₹ 1,00,000 and company issued a document in writing drawn upon a specified banker and payable on demand?**

a) Credit note

b) Debit note

c) Pay-in-slip

d) Cheque

75. Which of following would be unchanged as a result of transaction of purchasing 3D moulder of ₹ 1,00,000?

a) Liabilities

b) Capital

c) Assets

d) All of these