

Q. no. 1 Prepare Accounting Equation from the following particulars for the financial year ending on 31 March, 2005. In the books of Kanaihya Lal.

Kanaihya Lal commenced cloth business with cash Rs. 5,00,000. He purchased goods of Rs. 2,00,000, Building of Rs. 1,00,000, machinery of Rs. 50,000 and furniture of Rs. 30,000 in cash.

He purchased goods of Rs. 40,000 on credit. He sold goods of Rs. 2,00,000 for Rs. 2,20,000 for cash.

(कन्हैया लाल ने 5,00,000 ₹ रोकड़ से कपड़े का व्यवसाय प्रारंभ किया। उसने 2,00,000 ₹ का भवन, 1,00,000 ₹ का यंत्र, 50,000 ₹ की मशीन और 30,000 ₹ का फर्नीचर नकदी में खरीद किया। उसने 40,000 ₹ का भवन क्रेडिट खरीद किया। उसने 2,00,000 ₹ का भवन 2,20,000 में नकद बेचा। कन्हैया लाल की समस्त होने वाली वर्षों का पुस्तक बनाएँ।)

Solution

Accounting Equation is Assets = Equities

(1.) Cash Rs. 5,00,000 = Capital Rs. 5,00,000

Capital is also known as equity, Hence,

$A = E$

Here A is for Assets and E for Equity.

Kanaihya Lal purchased goods of Rs. 2,00,000, Building Rs. 1,00,000, machinery Rs. 50,000 and furniture Rs. 30,000 in cash.

Cash Balance is as under: —

(P.T.O.)



Cash Rs. 5,00,000 - (2,00,000 + 1,00,000 + 50,000 + 30,000)

= 5,00,000 - 3,80,000 = Cash Rs. 1,20,000

(II) Another Equation is: —

Cash Rs. 1,20,000 + Stock 2,00,000 + Building 1,00,000 +

machinery 50,000 + Furniture 30,000] = Equity Rs. 5,00,000

(III) ~~He~~ — (i) He purchased goods of Rs. 40,000 on credit, therefore goods are treated as stock and as it is a credit purchase, creditors or liability is Rs. 40,000.

(ii) Goods of Rs. 2,00,000 are sold for Rs. 2,20,000 for cash, hence cash is increased by Rs. 2,20,000 and it now becomes Rs. 1,20,000 + Rs. 2,20,000 or Rs. 3,40,000 and stock is reduced by Rs. 2,00,000. Thus total stock now is  $(2,00,000 + 40,000) - 2,00,000$   
= Rs. 40,000 only

Accounting Equation now is as under: —

Cash Rs. 3,40,000 + Stock Rs. 40,000 + Machinery Rs. 50,000 +

Building Rs. 1,00,000 + Furniture Rs. 30,000

= Rs. 5,60,000 Total Assets.

Rs. 5,60,000 Assets = Equity Rs. 5,00,000 + Creditors or

Liability Rs. 40,000 + Revenue Rs. 20,000

Thus: A = E + Liability + Revenue

Rs. 5,60,000 = Rs. 5,00,000 + 40,000 + 20,000

Rs. = 5,60,000

