



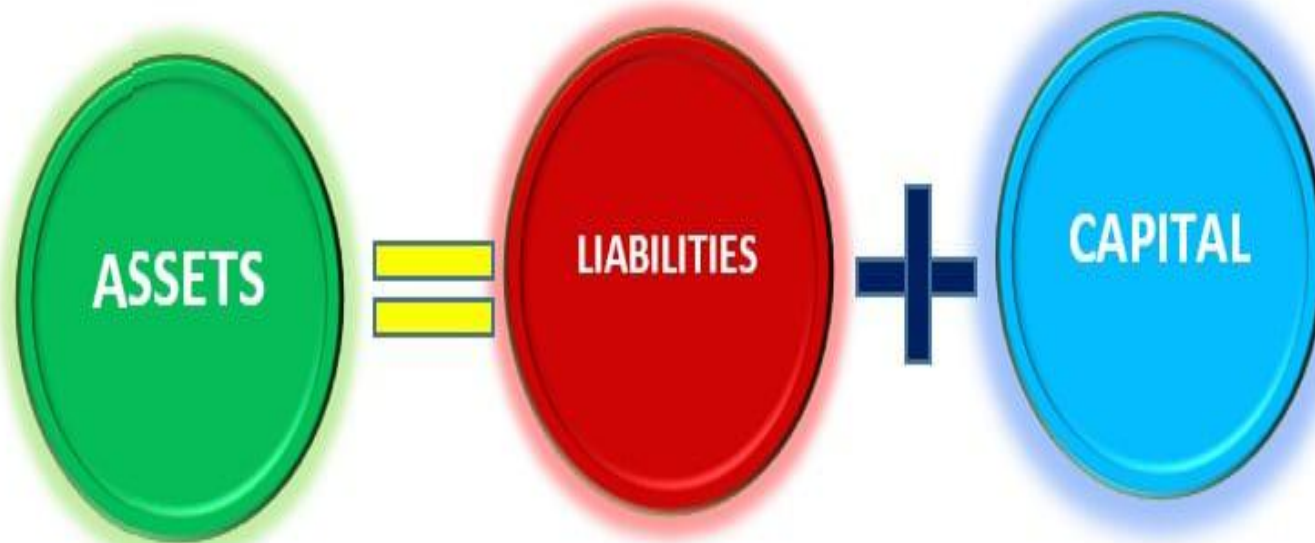
परमाणु ऊर्जा शिक्षण संस्था
(परमाणु ऊर्जा विभाग का स्वायत्त निकाय, भारत सरकार)
ATOMIC ENERGY EDUCATION SOCIETY
(An autonomous body under Department of Atomic Energy, Govt. of India)

XI - Accountancy

Accounting Equation

(Module 1 of 2)

ACCOUNTING EQUATION



Economic Resources
Owned by a Business

The Financial Obligations or
Debts of a Business

Owners' Claims on the
Assets of a Business

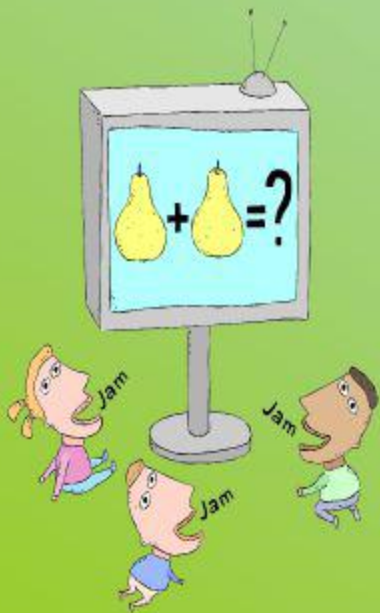
The accounting equation

what it owns = what it owes

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

A Balance Sheet (Statement of Financial Position) shows that the assets of an organisation should equal to its liabilities plus equity.

This is why the accounting equation is also called a balance sheet equation.



Impact Of Transactions On Equation

Any business transaction has twofold impact on the **Accounting Equation**

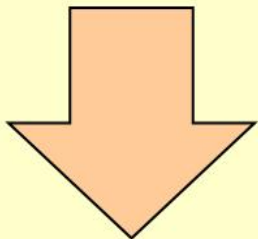
Assets

=

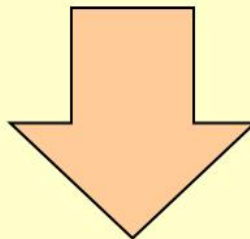
Equity

+

Liabilities

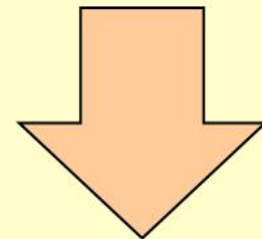


decrease

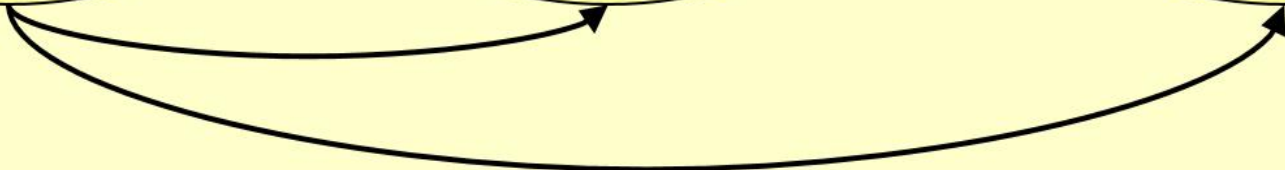


decrease

Or/And



decrease



Ex-1 Accounting Equation

S. No.	Transactions	Assets			=	Liabilities	+	Capital		
		Cash	+	Bank	+	Stock	=	Creditors		
		(₹)		(₹)		(₹)		(₹)	(₹)	
(i)	Started business with cash	45,000							45,000	
(ii)	Opened a Bank Account with a deposit	45,000							45,000	
		(4,500)	+	4,500						
(iii)	Bought goods from M/s. Sun & Co.	40,500	+	4,500					45,000	
					11,200	=	11,200			
		40,500	+	4,500	+	11,200	=	11,200	+	45,000

Ex-2 Accounting Equation

No.	Transaction	Assets			=	Liabilities	+ Capital
		Cash	+ Furniture	+ Stock		=	Creditors
	Commence business with cash	200000	+ 0		=	0	+ 200000
(i)	Furniture purchased for Cash	(-) 25000	+ 25000		=	0	+ 0
	New Equation	175000	+ 25000		=	0	+ 200000
(ii)	Purchased goods from B on credit	0	+ 0	+ 30000	=	30000	+ 0
	New Equation	175000	+ 25000	+ 30000	=	30000	+ 200000
(iii)	Paid to creditor, B in full settlement	(-) 28000	+ 0	+ 0	=	(-) 30000	+ 2000
	New Equation	147000	+ 25000	+ 30000	=	0	+ 202000
(iv)	Depreciation on Furniture	0	(-) 3000	+ 0	=	0	(-) 3000
	New Equation	<u>147000</u>	+ <u>22000</u>	+ <u>30000</u>	=	<u>0</u>	+ <u>199000</u>

Ex-3 Accounting Equation

ACCOUNTING EQUATION

S. No.	Transaction	Assets			=	Liabilities	+	Capital
		Cash	+ Furniture	+ Stock	=	Creditors		
(i)	Sandeep started business with cash	1,00,000					+	1,00,000
		1,00,000			=		+	1,00,000
(ii)	Purchased furniture for cash	-5,000	+5,000					
		95,000	+ 5,000		=		+	1,00,000
(iii)	Purchased goods for cash	-20,000		+20,000				
		75,000	+ 5,000	+ 20,000	=		+	1,00,000
(iv)	Purchased goods on credit			+36,000		+36,000		
		75,000	+ 5,000	+ 56,000	=	36,000	+	1,00,000
(v)	Rent paid	-700						-700
		74,300	+ 5,000	+ 56,000	=	36,000	+	99,300
(vi)	Goods costing Rs 40,000 sold at a profit of 20% for cash	+48,000		-40,000				+8,000
		1,22,300	+ 5,000	+ 16,000	=	36,000	+	1,07,300

Ex-4 Accounting Equation

S. No.	Transactions	Assets					=	Liabilities + Capital								
		Cash ₹.	+	Bank ₹.	+	Building and Furniture ₹.	+	Stock ₹.	+	Debtors ₹.	=	Creditors ₹.	+	Security Deposit ₹.	+	Capital ₹.
(i)	Sunil started business with cash ₹.1,50,000	1,50,000									=					1,50,000
		1,50,000									=					1,50,000
(ii)	Opened Bank Account by depositing ₹.25,000 from cash	(25,000)		25,000							=					
		1,25,000		25,000							=					1,50,000
(iii)	Sold personal car for ₹.50,000 and deposited money in Bank A/c			50,000							=					50,000
		1,25,000		75,000							=					2,00,000
(iv)	Building and Furniture purchased for ₹.1,00,000	(1,00,000)				1,00,000					=					
		25,000		75,000		1,00,000					=					2,00,000
(v)	Purchased goods from Ram on credit						50,000				=	50,000				
		25,000		75,000		1,00,000	50,000				=	50,000				2,00,000
(vi)	Paid Cartage ₹.500	(500)									=					(500) (Exp.)
		24,500		75,000		1,00,000	50,000				=	50,000				1,99,500
(vii)	Sold to Shyam on credit goods costing ₹.6,000 for ₹.9,000						(6,000)	9,000			=					3,000 (Profit)
		24,500		75,000		1,00,000	44,000	9,000			=	50,000				2,02,500
(viii)	Received rent from tenants of ₹.1,000	1,000									=					1,000 (Income)
		25,500		75,000		1,00,000	44,000	9,000			=	50,000				2,03,500
(ix)	Received Security Deposits from tenants of ₹.1,500	1,500									=		1,500			
		27,000		75,000		1,00,000	44,000	9,000			=	50,000	1,500			2,03,500
(x)	Purchased Stationery for Cash of ₹.100	(100)									=					(100) (Exp.)
		26,900		75,000		1,00,000	44,000	9,000			=	50,000	1,500			2,03,400
(xi)	Invested in Shares (personal) ₹.50,000			(50,000)							=					(50,000) (Drawings)
		26,900		25,000		1,00,000	44,000	9,000			=	50,000	1,500			1,53,400
(xii)	Received Interest of ₹.200 in Cash	200									=					200 (Income)
		27,100		25,000		1,00,000	44,000	9,000			=	50,000	1,500			1,53,600
(xiii)	Introduced fresh Capital of ₹.25,000	25,000									=					25,000
		52,100		25,000		1,00,000	44,000	9,000			=	50,000	1,500			1,78,600
(xiv)	Goods of ₹.500 were destroyed by fire						(500)				=					(500) (Loss)
	Total	52,100	+	25,000	+	1,00,000	+	43,500	+	9,000	=	50,000	+	1,500	+	1,78,100