

## PRACTICAL QUESTIONS

(Question Nos. 1 to 20 are strictly in the serial order of Illustrations)

1. Prepare Accounting Equation from the following :-

		₹
1.	Sandeep started business with Cash	1,00,000
2.	Purchased furniture for cash	5,000
3.	Purchased goods for cash	20,000
4.	Purchased goods on credit	36,000
5.	Paid for rent	700
6.	Goods costing ₹ 240,000 sold at a profit of 20% for cash	

[Ans. Assets: Cash ₹ 1,22,300 + Furniture ₹ 5,000 + Stock ₹ 16,000 = Liabilities: Creditors ₹ 36,000 + Capital ₹ 1,07,300.]

2. (A) Show the Accounting Equation on the basis of the following and present a balance sheet on the last new equation balances:

		₹
(i)	Manu started business with cash	50,000
(ii)	Bought furniture for	500
(iii)	Purchased goods on credit	4,000
(iv)	Sold goods on cash (cost ₹ 500) for	700
(v)	Received rent	200
(vi)	Purchased goods for cash	1,000
(vii)	Withdrew for personal use	700
(viii)	Paid to creditors	400
(ix)	Paid for salaries	200

[Ans. Assets Cash ₹ 48,100 + furniture ₹ 500 stock ₹ 4,500 - Liabilities: creditors ₹ 33,600 + capital ₹ 49,500; Balance Sheet total ₹ 53,100.]

2. (B) Prove that the Accounting Equation is satisfied in all the following transactions of Rajaram. Also prepare a Balance Sheet:-

1. Started business with Cash ₹ 1,20,000.
2. Purchased a typewriter for Cash for ₹ 8,000 for office use.
3. Purchased goods for ₹ 50,000 for cash.
4. Purchased goods for ₹ 40,000 on credit.
5. Goods costing ₹ 60,000 sold for ₹ 80,000 on credit.
6. Paid for Rent ₹ 1,500 and for salaries ₹ 2,000.
7. Received ₹ 800 for Commission.
8. Withdrew for private use ₹ 5,000 in cash.

[Ans. Assets: Cash ₹ 54,300 + Typewriter ₹ 8,000 + Stock ₹ 30,000 + Debtors ₹ 80,000 = Liabilities: Creditors ₹ 40,000 + Capital ₹ 1,32,300; Balance Sheet Total ₹ 1,72,300.]

3. Prepare Accounting Equation from the following :

- Started business with Cash ₹ 2,00,000.
- Purchased goods for Cash ₹ 60,000 and on Credit ₹ 1,50,000.
- Sold goods for Cash costing ₹ 40,000 at a profit of 20% and on Credit costing ₹ 72,000 at a profit of 25%.
- Paid for Rent ₹ 5,000.

[Ans. Assets: Cash ₹ 1,83,000 + Stock ₹ 98,000 + Debtors ₹ 90,000 = Liabilities: Creditors ₹ 1,50,000 + Capital ₹ 2,21,000]

4. Prepare Accounting Equation from the following:

		₹
(a)	Kunal started business with cash	2,50,000
(b)	He purchased furniture for cash	35,000
(c)	He paid commission	2,000
(d)	He purchased goods on credit	40,000
(e)	He sold goods (Costing ₹ 20,000) for cash	26,000

[Ans. Assets: Cash ₹ 2,39,000 + Furniture ₹ 35,000 + Stock ₹ 20,000 = Liabilities: Creditors ₹ 40,000 + Capital ₹ 2,54,000.]

5. Mohit has the following transactions, prepare Accounting Equation:

		₹
(a)	Business started with cash	1,75,000
(b)	Purchased goods from Rohit	50,000
(c)	Sold goods on credit to Manish (costing ₹ 17,500)	20,000
(d)	Purchased furniture for office use	10,000
(e)	Cash paid to Rohit in full settlement	48,500
(f)	Cash received from Manish	20,000
(g)	Rent paid	1,000
(h)	Cash withdrew for personal use	3,000

[Ans. Assets Cash ₹ 1,32,500 + Stock ₹ 32,500 + Furniture ₹ 10,000 = Capital ₹ 1,75,000.]

6. What will be the effect of the following on the Accounting Equation?

- Harish started business with cash ₹ 1,80,000.
- Purchased goods for cash ₹ 60,000 and on credit ₹ 30,000.
- Sold goods for cash ₹ 40,000; costing ₹ 24,000.
- Rent paid ₹ 5,000; and rent outstanding ₹ 2,000.
- Sold goods on credit ₹ 50,000 (costing ₹ 38,000).

(vi) Salary paid in advance ₹ 3,000.

[Ans. Assets: Cash ₹ 1,52,000 + Stock ₹ 28,000 + Debtors ₹ 50,000 + Prepaid Expenses ₹ 3,000 = Liabilities: Creditors ₹ 30,000 + Outstanding Expenses ₹ 2,000 + Capital ₹ 2,01,000.]

7. Use Accounting Equation to show the effect of the following transactions of M/s Royal Traders:

		₹
(a)	Started Business with Cash	1,20,000
(b)	Purchased goods for cash	10,000
(c)	Rent received	5,000
(d)	Salary outstanding	2,000
(e)	Received interest	700
(f)	Sold goods for cash (costing ₹ 5,000)	7,000
(g)	Goods destroyed by fire	500

[Ans. Assets: Cash ₹ 1,22,700 + Stock ₹ 4,500 = Liabilities: Outstanding Exp. ₹ 2,000 + Capital ₹ 1,25,200.] **Hint:** Goods destroyed by fire will result in decrease in stock and decrease in capital.

8. (A) Prepare Accounting Equation from the following:-

1. Started business with cash ₹ 75,000 and goods ₹ 25,000.
2. Paid for Rent ₹ 2,000.
3. Bought goods for cash ₹ 30,000 and on credit for ₹ 44,000.
4. Goods costing ₹ 50,000 sold at a profit of 25%, out of which ₹ 27,500 received in Cash.
5. Purchased a Motor-cycle for personal use ₹ 20,000.

[Ans. Assets: Cash ₹ 50,500 + Stock ₹ 49,000 + Debtors ₹ 35,000 = Liabilities: Creditors ₹ 44,000 + Capital ₹ 90,500.]

8. (B) Prepare Accounting Equation from the following and also prepare a Balance Sheet:-

1. Raghu started business with Cash ₹ 1,50,000.
2. Bought goods for cash ₹ 80,000 and on credit for ₹ 40,000.
3. Goods costing ₹ 75,000 sold at a profit of 33 1/2%. Half the payment received in cash.
4. Goods costing ₹ 10,000 sold for ₹ 12,000 on credit.
5. Paid for Rent ₹ 2,000 and for salaries ₹ 4,000.
6. Goods costing ₹ 20,000 sold for ₹ 18,500 for Cash.

[Ans. Assets: Cash ₹ 1,32,500 + Stock ₹ 15,000 + Debtors ₹ 62,000 Liabilities: Creditors ₹ 40,000 + Capital ₹ 1,69,500, Balance Sheet total ₹ 2,09,500.]

9. If the Capital of a business is ₹ 1,20,000 and Outside liabilities are ₹ 20,000, calculate total assets of the business.

[Ans. Total Assets ₹ 1,40,000.]

10. If total assets of a business are ₹ 1,30,000 and capital is ₹ 80,000, calculate creditors.

[Ans. Creditors ₹ 50,000.]

11. 'A' commenced his cloth business on 1st April, 2011 with a capital of ₹ 3,00,000. On 31st March, 2012 his assets were worth ₹ 5,00,000 and liabilities ₹ 1,00,000. Find out his closing capital and profits earned during the year.

[Ans. Closing Capital ₹ 4,00,000, Profit ₹ 1,00,000]

12. (a) Yogesh commenced business on 1st April, 2011 with a Capital of ₹ 5,00,000 and a loan of ₹ 1,00,000 borrowed from Citi Bank. On 31st March, 2012, his assets were ₹ 8,00,000. Calculate his closing capital and profits earned during the year (b) If in the above case, the proprietor had introduced fresh capital of ₹ 40,000 and had withdrawn ₹ 10,000 for personal purposes, calculate his profits.

[Ans. (a) Closing Capital ₹ 7,00,000; Profit ₹ 2,00,000 (b) Profit ₹ 1,70,000.]

13. Give one example of each of the following transactions:

- (i) Increase in an asset and a liability.
- (ii) Decrease in an asset and a liability.
- (iii) Increase in assets and capital.
- (iv) Decrease in assets and capital.

[Ans.

- (i) Purchase of an asset on credit.
- (ii) Payment of a liability.
- (iii) Capital introduced by proprietor.
- (iv) Drawings or Expenses.]

14. On which side the increase in the following accounts will be recorded? Also mention the nature of account:-

- |                        |                         |
|------------------------|-------------------------|
| 1. Furniture           | 5. Proprietor's Account |
| 2. Rent Paid           | 6. Debtor               |
| 3. Commission Received | 7. Creditor             |
| 4. Salary Paid         |                         |

[Ans.

- |                     |                       |
|---------------------|-----------------------|
| 1. Debit – Asset    | 5. Credit – Capital   |
| 2. Debit – Expenses | 6. Debit v Asset      |
| 3. Credit – Income  | 7. Credit – Liability |
| 4. Debit – Expenses |                       |

15. On which side the decrease in the following accounts will be recorded? Also mention the nature of account:-

- |                   |                      |
|-------------------|----------------------|
| 1. Cash           | 4. Outstanding Rent  |
| 2. Bank Overdraft | 5. Prepaid Insurance |

3. Rent Paid

6. Manoj, Proprietor of the business

[Ans.

1. Credit – Asset

4. Debit – Liability

2. Debit – Liability

5. Credit – Asset

3. Credit – Expenses

6. Debit – Capital]

16. From the following transactions, state the nature of accounts and state the accounts which will be debited and credited:

1. Ganesh started business with Cash ₹ 2,00,000.
2. Purchased goods for Cash ₹ 60,000.
3. Sold goods for cash ₹ 75,000.
4. Purchased goods from Nakul on Credit for ₹ 80,000.
5. Sold goods to Bhushan on Credit for ₹ 50,000.
6. Paid Cash to Nakul ₹ 20,000.
7. Received Cash from Bhushan ₹ 10,000.
8. Paid salary ₹ 20,000.

17. Open 'T' shape account for Machinery and write the following on the proper side:

		₹
1.	Machinery purchased for	5,00,000
2.	Machinery sold	1,20,000
3.	Machinery discarded	50,000
4.	New Machinery purchased	2,00,000
5.	Machinery destroyed	40,000

[Ans. Debit side 1, 4, Credit side 2, 3, 5.]

18. Open 'T' shape account of our creditor 'Raghubir' and write the following transactions on the proper side:-

1. Purchased goods from Raghubir on credit for ₹ 50,000.
2. Returned goods to Raghubir for ₹ 5,000.
3. Paid to Raghubir ₹ 30,000.
4. Purchased goods from Raghubir on credit for ₹ 16,000.
5. Paid to Raghubir ₹ 20,000.

[Ans. Debit side 2, 3, 5; Credit side 1, 4.]

19. Put the following on the proper side of Cash account, Debtor's account and Creditor's account:

- (a) Sold goods for cash ₹ 60,000.
- (b) Sold goods to Hari on credit ₹ 20,000.
- (c) Purchased goods from Krishan on credit ₹ 36,000.
- (d) Purchased goods from Krishan for cash ₹ 10,000.

(e) Cash received from Hari ₹ 15,000.

(f) Cash paid to Krishan ₹ 28,000.

[Ans.

Cash A/c	Dr. (a), (e)	Cr. (d), (f)
Hari	Dr. (b)	Cr. (e)
Krishan	Dr. (f)	Cr. (c)]

20. From the following transactions prepare the Proprietor's Account in T shape:

2013		₹
April 1	Commenced business with Cash	5,00,000
August 1	Introduced additional Capital	1,00,000
Dec. 31	Drawings	40,000
2014		
Feb. 28	Drawings	20,000
March 31	Net Profit shown by Profit & Loss A/c	1,25,000

[Ans. Debit side: Dec. 31; Feb. 28; Credit side: April 1; August 1; March 31.]