

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 9.9.2020

Teacher name – Ajay Kumar Sharma

Recording of Transactions-I

Illustration 1

Analyse the effect of each transaction on assets and liabilities and show that the both sides of Accounting Equation ($A = L + C$) remains equal :

- (i) Introduced Rs. 8,00,000 as cash and Rs. 50,000 by stock.
- (ii) Purchased plant for Rs. 3,00,000 by paying Rs. 15,000 in cash and balance at a later date.
- (iii) Deposited Rs. 6,00,000 into the bank.
- (iv) Purchased office furniture for Rs. 1,00,000 and made payment by cheque.
- (v) Purchased goods worth Rs. 80,000 for cash and for Rs. 35,000 in credit.
- (vi) Goods amounting to Rs. 45,000 was sold for Rs. 60,000 on cash basis.
- (vii) Goods costing to Rs. 80,000 was sold for Rs. 1,25,000 on credit.
- (viii) Cheque issued to the supplier of goods worth Rs. 35,000.
- (ix) Cheque received from customer amounting to Rs. 75,000.
- (x) Withdrawn by owner for personal use Rs. 25,000.

Solution

Transaction (i) It affects Cash and Inventory on the assets side and Capital on the other hand. There is increase in cash by Rs. 8, 00,000 and Inventory of goods by Rs. 50,000 on assets side of the equation. Capital is increased by Rs. 8, 50,000.

Rs.

Assets	=	Liabilities + Capital
Cash + Inventory(Stock)	=	
8,00,000 + 50,000	=	8,50,000
Total 8,50,000	=	8,50,000

Transaction (ii) It affects Cash and Plant and Machinery on the assets side and liabilities on the other side of the equation. There is an increase in plant and machinery by Rs. 3, 00,000 and decrease in cash by Rs. 15,000. Liability to pay to the supplier of plant and machinery increases by Rs. 2,85,000.

Rs.

Assets	=	Liabilities + Capital
Cash + Inventory + Plant and Machinery	=	
8,00,000 + 50,000	=	8,50,000
(15,000) + 3,00,000	=	2,85,000
7,85,000 + 50,000 + 3,00,000	=	2,85,000 + 8,50,000
Total 11,35,000	=	11,35,000

Transaction (iii) It affects assets side only. The composition of the asset side changes. Cash decreases by Rs. 6,00,000 and by the same amount bank increases.

Rs.

Assets	=	Liabilities + Capital
Cash + Inventory + Plant and + Bank	=	
7,85,000 + 5,000 + 3,00,000	=	2,85,000 + 8,50,000
(6,00,000) + 6,00,000	=	
1,85,000 + 50,000 + 3,00,000 + 6,00,000	=	2,85,000 + 8,50,000
Total 11,35,000	=	11,35,000

Transaction (iv) It affects assets side only. The composition of the asset side changes. Furniture increases by Rs. 1,00,000 and by the same amount bank decreases.

Rs.

Assets					= Liabilities + Capital
Cash	+ Inventory	+ Plant and Machinery		+ Bank + Furniture	
1,85,000	+ 50,000	+ 3,00,000	+ 6,00,000		= 2,85,000 + 8,50,000
			(1,00,000)	+ 1,00,000	
1,85,000	+ 50,000	+ 3,00,000	+ 5,00,000	+ 1,00,000	= 2,85,000 + 8,50,000
Total	11,35,000				= 11,35,000

Transaction (v) It affects Cash and Inventory on the assets side and liability on the other side. There is decrease in cash by Rs. 80,000 and increase of inventory of goods by Rs. 1,15,000 on the assets side of the equation. Liabilities increases by Rs. 35,000.

Rs.

Assets					= Liabilities + Capital
Cash	+ Inventory	+ Plant and Machinery		+ Bank + Furniture	
1,85,000	+ 50,000	+ 3,00,000	+ 5,00,000	+ 1,00,000	= 2,85,000 + 8,50,000
(80,000)	+ 1,15,000				= 35,000
1,05,000	+ 1,65,000	+ 3,00,000	+ 5,00,000	+ 1,00,000	= 3,20,000 + 8,50,000
Total	11,70,000				= 11,70,000

Transaction (vi) It affects Cash and Inventory on the assets side and capital on the other side. There is an increase in cash by Rs. 60,000 and decrease in inventory of goods by Rs. 45,000 on the assets side of the equation. Capital increases by Rs. 15,000.

Rs.

Assets					= Liabilities + Capital
Cash	+ Inventory	+ Plant and Machinery		+ Bank + Furniture	
1,05,000	+ 1,65,000	+ 3,00,000	+ 5,00,000	+ 1,00,000	= 3,20,000 + 8,50,000
60,000	+ (45,000)				+ 15,000
1,65,000	+ 1,20,000	+ 3,00,000	+ 5,00,000	+ 1,00,000	= 3,20,000 + 8,65,000
Total	11,85,000				= 11,85,000

Transaction (vii) It affects Debtors and Inventory on the assets side and capital on the other side. There is increase in debtors by Rs. 1,25,000 and decrease in Inventory of goods by Rs. 80,000 on the assets side of the equation. Capital increases by Rs. 45,000.

Rs.

Assets						= Liabilities + Capital
Cash	+ Inventory	+ Plant and Machinery		+ Bank + Furniture	+ Debtors	
1,65,000	+ 1,20,000	+ 3,00,000	+ 5,00,000	+ 1,00,000		= 3,20,000 + 8,65,000
	(80,000)				+ 1,25,000	= + 45,000
1,65,000	+ 40,000	+ 3,00,000	+ 5,00,000	+ 1,00,000	+ 1,25,000	= 3,20,000 + 9,10,000
Total	12,30,000					= 12,30,000

Transaction (viii) It affects Bank on the assets side on one side and liability on the other side. There is decrease in bank by Rs. 35,000 on the assets side and liability also decreases by Rs. 35,000.

Rs.

Assets						= Liabilities + Capital	
Cash	+ Inventory	+ Plant and Machinery	+ Bank	+ Furniture	+ Debtors		
1,65,000	+ 40,000	+ 3,00,000	+ 5,00,000	+ 1,00,000	+ 1,25,000	=	3,20,000 + 9,10,000
			(35,000)			=	(35,000)
1,65,000	+ 40,000	+ 3,00,000	+ 4,65,000	+ 1,00,000	+ 1,25,000	=	2,85,000 + 9,10,000
Total	11,95,000						= 11,95,000

Transaction (ix) It affects assets side only. The composition of the assets side changes. Bank increases by R. 75,000 and by the same amount Debtors decreases.

Rs.

Assets						= Liabilities + Capital	
Cash	+ Inventory	+ Plant and Machinery	+ Bank	+ Furniture	+ Debtors		
1,65,000	+ 40,000	+ 3,00,000	+ 4,65,000	+ 1,00,000	+ 1,25,000	=	2,85,000 + 9,10,000
			+ 75,000		(75,000)	=	
1,65,000	+ 40,000	+ 3,00,000	+ 5,40,000	+ 1,00,000	+ 50,000	=	2,85,000 + 9,10,000
Total	11,95,000						= 11,95,000

Transaction (x) It affects Cash on the asset side and Capital on the other hand. There is decrease in Cash by Rs. 25,000 on the assets side whereas capital decreases by Rs. 25,000.

Rs.

Assets						= Liabilities + Capital	
Cash	+ Inventory	+ Plant and Machinery	+ Bank	+ Furniture	+ Debtors		
1,65,000	+ 40,000	+ 3,00,000	+ 5,40,000	+ 1,00,000	+ 50,000	=	2,85,000 + 9,10,000
(25,000)						=	+ (25,000)
1,40,000	+ 40,000	+ 3,00,000	+ 5,40,000	+ 1,00,000	+ 50,000	=	2,85,000 + 8,85,000
Total	11,95,000						= 11,95,000