

Q1) What is accounting equation? Explain its importance.

Q2) Show the accounting equation on the basis of the following transactions:

- a) Shri Ganesh commenced business with cash Rs.35,000, goods Rs.8,000 and furniture Rs.7,000.
- b) Bought furniture from M/s Mohan Furnitures on credit for Rs.3,000.
- c) Purchased goods from Sohan for cash Rs.35,000.
- d) Sold goods to Shyam for cash Rs.40,000(costing Rs.30,000).
- e) Bought goods from Ramesh Rs.30,000.
- f) Sold goods to Shyam costing Rs.30,000 for Rs.50,000.
- g) Received Rs.49,500 from Shyam in full settlement.
- h) Paid Rs.29,700 to Ramesh in full settlement.
- i) Paid half the amount owed to M/s Mohan.
- j) Withdrew Rs.1,000 for personal use.
- k) Withdrew goods for personal use(cost Rs.500, sale price Rs.600).
- l) Purchased household goods for Rs.15,000 giving Rs.5,000 in cash and the balance through a loan.
- m) Paid cash Rs.500 for loan and Rs.300 for interest.
- n) Goods destroyed by fire (cost Rs.500, sale price Rs.600)
- o) Paid salary Rs.500 and salary outstanding Rs.100.
- p) Paid rent in advance Rs.2,000.
- q) Accrued interest Rs 500.
- r) Commission received in advance Rs 1,000.
- s) Charged depreciation of Rs 400 on furniture.

Q3) Give an example for each of the following types of transactions:

- a) Increase in one asset, decrease in another asset.
- b) Increase in asset, increase in liability.
- c) Increase in asset, increase in owner's capital.
- d) Decrease in asset, decrease in liability.
- e) Decrease in asset, decrease in owner's capital.
- f) Increase in one liability, decrease in another liability.
- g) Increase in liability, decrease in owner's capital.
- h) Decrease in liability, increase in owner's capital.