

SAMPLE CONTENT



SMART NOTES

SOLUTIONS

to **TEXTBOOK PROBLEMS**

• CHAPTERWISE FLOW • EXAM LIKE PRESENTATION

BOOK KEEPING & ACCOUNTANCY

Std. XI • COMMERCE



Target Publications® Pvt. Ltd.

SMART NOTES
**SOLUTIONS TO
TEXTBOOK PROBLEMS**
in
**BOOK KEEPING & ACCOUNTANCY
F.Y.J.C.**

MAHARASHTRA STATE BOARD

(As per the new textbook published by Maharashtra State Bureau of Textbook Production
and Curriculum Research, Pune.)

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PREFACE

Smart Notes – Solutions to Textbook Problems in Book-Keeping & Accountancy is a no-frills book curated for today's students to prepare them for their exams. The ultimate objective of this book is to provide students with a compilation of accurate solutions to all the unsolved problems in the textbook in a straight forward manner.

The book is prepared in the flow of the chapter for easy reference. The objective questions given in the exercise section of the textbook are covered at the start of the chapter alongwith their solutions. This is followed by all 'Practical Problems' given at the end of each chapter in the textbook alongwith their detailed solutions. The solutions have been provided exactly the way the students have to present them in their exams. All required working notes for supporting the solutions have also been provided. We have given the page number reference of the textbook next to each question to be able to trace the question back to the textbook easily.

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.

Please write to us at : mail@targetpublications.org

From,

Publisher

Edition: First

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Objective Type Questions

(A) Answer in one sentence only.

1. How many methods of recording accounting information are there?

Ans: There are two methods of recording accounting information; they are Indian system and English system. English system is further classified into single entry system and double entry book-keeping system.

2. State the meaning of Single Entry System.

Ans: Single Entry System is a system of accounting which records only one effect of transaction.

3. What is Double Entry System?

Ans: Recording dual aspects of business transactions in the books of accounts in the form of Debit and Credit is known as "Double Entry System of Book Keeping".

4. What is an Account?

Ans: An account is a summarised record of transactions affecting one person, one kind of asset or liability or one class of gain or losses.

5. What is Personal Account?

Ans: Personal account is an account that represents a person or group of persons with whom business deals.

6. State the rule of Personal Account.

Ans: The general rule applied for debiting and crediting the Personal account is "Debit the Receiver" and "Credit the Giver".

7. State the meaning of Real Account.

Ans: Real account is something that represents assets and properties owned by the business.

8. Give two examples of intangible assets.

Ans: Goodwill Account, Patents Account, Trademark Account, Copyright Account, etc. are the examples of intangible assets.

9. State the rule of Nominal Account.

Ans: The general rule applied for debiting and crediting the Nominal account is "Debit all Expenses and Losses" and "Credit all Incomes and Gains".

10. Give two examples of income and gains.

Ans: Interest received, Commission received, Sales made, etc. are the examples of income and gains.

(B) Write the Word / Term / Phrase which can substitute each of the following statements.

1. Person who invented the Double Entry System.	Luca D. Bargo Pacioli
2. Incomplete system of recording business transactions.	Single Entry System
3. Scientific system of recording business transactions.	Double Entry System of Book-keeping
4. Method of Accounting which records both aspect of transaction.	Double entry system of accounting
5. Left hand side of an account.	Debit side
6. Right hand side of an account.	Credit side



2. Personal transactions of proprietor are recorded in the books of account of business.

Ans: False

Reason:

Personal transactions of the owners are not recorded in the books of accounts. But, their transactions with the business such as capital contributed to the business or cash withdrawn from the business for the personal use will be recorded in the books of accounts.

3. Outstanding expense is a nominal account.

Ans: False

Reason:

Outstanding expense is a representative personal account and not a nominal account.

4. Capital account is a real account.

Ans: False

Reason:

Capital account is a personal account and not a real account.

5. Drawings account is a nominal account.

Ans: False

Reason:

Drawings account is a personal account and not a nominal account.

6. Outstanding salary is a nominal account.

Ans: False

Reason:

Outstanding salary is a personal account and not a nominal account.

7. Loan account is a personal account.

Ans: True

Reason:

Loan is received from or given to a particular person and hence loan account is a personal account.

8. Bank loan account is a Nominal account.

Ans: False

Reason:

Bank loan account is a Personal account and not a Nominal account.

9. Goodwill account is a real account.

Ans: True

Reason:

Real account represents assets and properties owned by the business. Since Goodwill is an intangible asset, it is a real account.

10. Motor car account is a Real Account.

Ans: True

Reason:

Real account represents assets and properties owned by the business. Since motor car is a tangible asset, it is a real account.

11. Trademark account is a personal account.

Ans: False

Reason:

Trademark account is an intangible asset and hence it is a real account and not a personal account.

12. Discount received is a nominal account.

Ans: True

Reason:

Nominal account includes incomes & gains and expenses & losses. Since discount received is an income, it is a nominal account.



13. Discount account is a nominal account.

Ans: True

Reason:

Cash Discount allowed is a loss to the receiver of cash and gain to the giver of cash. Since the accounts of losses are nominal accounts, Discount is a nominal account.

14. The rule of Nominal Account in Debit the receiver and Credit the giver.

Ans: False

Reason:

The rule of Nominal Account is Debit all expenses & losses and Credit all incomes & gains. On the other hand, Debit the receiver and Credit the giver is the rule of Personal Account.

15. Assets = Capital + Liabilities.

Ans: True

Reason:

'Assets = Capital + Liabilities' is an accounting equation that refers to the type of equation which signifies that the assets of a concern are always equal to the total of its capital (proprietor's equity) and liabilities.

(E) Complete the sentences.

- Cash Book and Personal Accounts are only maintained under _____ system.
- Scientific and complete system of recording is known as _____.
- Every transaction has _____ effect.
- _____ accounts are accounts of properties and assets.
- Land and Building account is _____ account.
- Laptop account is a _____ account.
- Travelling expenses account is _____ type of Account.
- Debit what comes in and credit what goes out is the rule of _____ account.
- Debit all expenses and losses, Credit all _____.
- Increase in asset is debited and decrease in asset is _____.
- Increase in capital is credited and decrease in capital is _____.
- Assets = Liabilities + _____.

Single Entry
Double entry book-keeping system
Two fold
Real
Real
Real
Nominal
Real
Incomes and Gains
Credited
Debited
Capital

(F) Complete the following Accounting Equation Table:

Sr. No.	Transactions	Assets (₹)	=	Liabilities (₹)	+	Capital (₹)
1.	Started business with cash ₹ 50,000	?	=	?	+	50,000
2.	Purchased goods of ₹ 10,000	?	=	?	+	?
3.	Goods stolen ₹ 1,000	?	=	?	+	?
4.	Sold goods for cash ₹ 5,000	?	=	?	+	?
5.	Loan taken from Bank ₹ 7,000	?	=	?	+	?



Solution:

Sr. No.	Transactions	Assets (₹)	=	Liabilities (₹)	+	Capital (₹)
1.	Started business with cash ₹ 50,000	50,000	=	0	+	50,000
2.	Purchased goods of ₹ 10,000	50,000	=	0	+	50,000
		(+) 10,000 (-) 10,000	=	0	+	0
3.	Goods stolen ₹ 1,000	50,000	=	0	+	50,000
		(-) 1,000	=	0	+	(-) 1,000
4.	Sold goods for cash ₹ 5,000	49,000	=	0	+	49,000
		(+) 5,000 (-) 5,000	=	0	+	0
5.	Loan taken from Bank ₹ 7,000	49,000	=	0	+	49,000
		(+) 7,000	=	(+) 7,000	+	0
		56,000	=	7,000	+	49,000

(G) Give necessary transactions for the following effect of increase and decrease in Assets, Capital and Liabilities.

- | | | |
|----|----------------------|---|
| 1. | <input type="text"/> | Increase in Assets
Decrease in Assets |
| 2. | <input type="text"/> | Increase in Capital
Increase in Assets |
| 3. | <input type="text"/> | Decrease in Liabilities
Decrease in Assets |
| 4. | <input type="text"/> | Decrease in Assets
Decrease in Capital |

Ans:

- Sold old furniture for cash ₹ 10,000.
- Started business with cash ₹ 2,00,000.
- Repaid bank loan ₹ 50,000.
- Withdrawn cash for personal use ₹ 1,000.

Textbook Practical Problems

Q.1. Classify the following accounts under the types of Personal, Real and Nominal Account. [Textbook page no. 41]

- | | |
|--|--------------------------------------|
| i. Mr. Rohit's Capital A/c | ii. Loose Tools A/c |
| iii. Drawings A/c | iv. Cartage A/c |
| v. Prepaid Rent A/c | vi. Copyright A/c |
| vii. Patent A/c | viii. Outstanding Income A/c |
| ix. Prepaid Expenses A/c | x. Commission Received A/c |
| xi. Freight A/c | xii. Plant and Machinery A/c |
| xiii. Sundry Income A/c | xiv. Live Stock A/c |
| xv. Goods distributed as Free Sample A/c | xvi. Radhika's A/c |
| xvii. Outstanding Wages A/c | xviii. Loss on Sale of Furniture A/c |
| xix. Bank of Maharashtra's A/c | xx. Loan A/c |
| xxi. Computer A/c | xxii. Legal Expenses A/c |
| xxiii. Fixed Deposit A/c | xxiv. Income Receivable A/c |
| xxv. Audit Fees A/c | xxvi. Trademark A/c |
| xxvii. Loss by fire A/c | xxviii. Motor Car A/c |



- | | |
|--------------------------------------|---|
| xxix. Income Tax A/c | xxx. GST A/c (Goods and Service Tax) |
| xxx. Siddhivinayak Trust's A/c | xxxii. Office Equipment A/c |
| xxxiii. Stock of Stationery A/c | xxxiv. Indian Railways A/c |
| xxxv. Income Received in Advance A/c | xxxvi. Dividend on Investment Advance A/c |
| xxxvii. Discount A/c | xxxviii. Raj & Company's A/c |
| xxxix. Repairs A/c | xxxx. Royalty A/c |

Solution:

Personal A/c		Real A/c		Nominal A/c	
i.	Mr. Rohit's Capital A/c	ii.	Loose Tools A/c	iv.	Cartage A/c
iii.	Drawings A/c	vi.	Copyright A/c	x.	Commission Received A/c
v.	Prepaid Rent A/c	vii.	Patent A/c	xi.	Freight A/c
viii.	Outstanding Income A/c	xii.	Plant and Machinery A/c	xiii.	Sundry Income A/c
ix.	Prepaid Expenses A/c	xiv.	Live Stock A/c	xv.	Goods distributed as Free Samples A/c
xvi.	Radhika's A/c	xxi.	Computer A/c	xviii.	Loss on Sale of Furniture A/c
xvii.	Outstanding Wages A/c	xxiii.	Fixed Deposit A/c	xxii.	Legal Expenses A/c
xix.	Bank of Maharashtra's A/c	xxvi.	Trademark A/c	xxv.	Audit Fees A/c
xx.	Loan A/c	xxviii.	Motor Car A/c	xxvii.	Loss by Fire A/c
xxiv.	Income Receivable A/c	xxxii.	Office Equipment A/c	xxx.	GST A/c (Goods and Service Tax)
xxix.	Income Tax A/c	xxxiii.	Stock of Stationery A/c	xxxvi.	Dividend on Investment Advance A/c
xxxi.	Siddhivinayak Trust's A/c		–	xxxvii.	Discount A/c
xxxiv.	Indian Railways A/c		–	xxxix.	Repairs A/c
xxxv.	Income Received in Advance A/c		–	xxxx.	Royalty A/c
xxxviii.	Raj & Company's A/c		–		–

Q.2. Prepare a chart showing Analysis of the following transactions in a Tabular form according to Traditional Approach:

[Textbook page no. 42]

- Rajasaheb started business with cash ₹ 85,000.
- Goods Purchased for cash ₹ 5,000.
- Sold goods on credit worth ₹ 6,000.
- Cash deposited into Bank of Maharashtra ₹ 12,000.
- Interest received ₹ 700 from Radhika.
- Paid Rent ₹ 2,000 to landlord.
- Bought goods on credit from Birajmohan ₹ 7,000.
- Withdrew cash from bank ₹ 1,000 for office use.
- Purchased computer worth ₹ 9,000 for cash.
- Paid Mobile bill (office) ₹ 500.
- Sold old Mobile for ₹ 2,000.
- Received Rent ₹ 1,000 from tenant.

Solution:

Analysis of transaction by Applying rules of Debit and Credit (Traditional Approach)

Sr. No.	Transactions	Two aspects/ Effects	Accounts Involved	Classification of Accounts	Rules applied	Account to be debited	Account to be credited
i.	Rajasaheb started business with cash ₹ 85,000	Cash comes in the business	Cash A/c	Real A/c	Debit what comes in	Cash A/c	–
		Proprietor is giver of the capital	Capital A/c	Personal A/c	Credit the giver	–	Capital A/c



ii.	Goods purchased for cash ₹ 5,000	Purchase is an expense	Purchases A/c	Nominal A/c	Debit all expenses	Purchases A/c	–
		Cash goes out of the business	Cash A/c	Real A/c	Credit what goes out	–	Cash A/c
iii.	Sold goods on credit worth ₹ 6,000	Debtor is the receiver of the goods	Debtors A/c	Personal A/c	Debit the receiver	Debtors A/c	–
		Sales is an income	Sales A/c	Nominal A/c	Credit all incomes	–	Sales A/c
iv.	Cash deposited into Bank of Maharashtra ₹ 12,000	Bank is the receiver of the cash	Bank of Maharashtra A/c	Personal A/c	Debit the receiver	Bank of Maharashtra A/c	–
		Cash goes out of the business	Cash A/c	Real A/c	Credit what goes out	–	Cash A/c
v.	Interest received ₹ 700 from Radhika	Cash comes in the business	Cash A/c	Real A/c	Debit what comes in	Cash A/c	–
		Interest received is an income	Interest A/c	Nominal A/c	Credit all Incomes	–	Interest A/c
vi.	Paid Rent ₹ 2,000 to landlord	Rent is an expense	Rent A/c	Nominal A/c	Debit all expenses	Rent A/c	–
		Cash goes out of the business	Cash A/c	Real A/c	Credit what goes out	–	Cash A/c
vii.	Bought goods on credit from Birajmohan ₹ 7,000	Purchase is an expense	Purchases A/c	Nominal A/c	Debit all expenses	Purchases A/c	–
		Birajmohan is a giver of the goods	Birajmohan's A/c	Personal A/c	Credit the giver	–	Birajmohan's A/c
viii.	Withdrew cash from bank ₹ 1,000 for office use	Cash comes in the business	Cash A/c	Real A/c	Debit what comes in	Cash A/c	–
		Bank is giver of the cash	Bank A/c	Personal A/c	Credit the giver	–	Bank A/c
ix.	Purchased computer worth ₹ 9,000 for cash	Computer comes in	Computer A/c	Real A/c	Debit what comes in	Computer A/c	–
		Cash goes out of the business	Cash A/c	Real A/c	Credit what goes out	–	Cash A/c
x.	Paid Mobile bill (office) ₹ 500	Mobile bill is an expense	Mobile Bill A/c	Nominal A/c	Debit all expenses	Mobile bill A/c	–
		Cash goes out of the business	Cash A/c	Real A/c	Credit what goes out	–	Cash A/c
xi.	Sold old Mobile for ₹ 2000	Cash comes in the business	Cash A/c	Real A/c	Debit what comes in	Cash A/c	–
		Mobile goes out	Mobile A/c	Real A/c	Credit what goes out	–	Mobile A/c
xii.	Received Rent ₹ 1,000 from tenant	Cash comes in the business	Cash A/c	Real A/c	Debit what comes in	Cash A/c	–
		Rent received is an income	Rent A/c	Nominal A/c	Credit all Incomes	–	Rent A/c



Q.3. Prepare a chart showing Analysis of the following transactions in a Tabular form according to Modern Approach: [Textbook page no. 43]

- i. Mr. Meghraj started business with cash ₹ 30,000.
- ii. Deposited cash into Bank of India ₹ 2,000.
- iii. Withdrew cash ₹ 1,000 for personal use.
- iv. Purchased goods on credit from Nilesh ₹ 2,000.
- v. Cash purchases ₹ 3,000.
- vi. Paid Wages ₹ 400.
- vii. Purchased a chair for office use ₹ 3,200.
- viii. Sold goods to Mohan worth ₹ 1,200.
- ix. Withdrew Cash for Office use ₹ 3,000.
- x. Sold old furniture for ₹ 9,000.
- xi. Received Dividend of ₹ 1,000.
- xii. Paid for Printing bill book ₹ 200.

Solution:

**Analysis of transaction by Applying rules of Debit and Credit
(Modern Approach)**

Sr. No.	Transactions	Two aspects/ Effects	Accounts Involved	Categories	Rules applied	Account to be debited	Account to be credited
i.	Mr. Meghraj started business with cash ₹ 30,000	Cash comes in the business	Cash A/c	Asset A/c	Increase in Asset	Cash A/c	–
		Proprietor is giver of the capital	Capital A/c	Capital A/c	Increase in Capital	–	Capital A/c
ii.	Deposited cash into Bank of India ₹ 2,000	Bank is the receiver of the cash	Bank A/c	Asset A/c	Increase in Asset	Bank A/c	–
		Cash goes out of the business	Cash A/c	Asset A/c	Decrease in Asset	–	Cash A/c
iii.	Withdrew cash ₹ 1,000 for personal use	Proprietor is receiver of the cash	Drawings A/c	Capital A/c	Decrease in Capital	Drawings A/c	–
		Bank is giver of the cash	Bank A/c	Asset A/c	Decrease in Asset	–	Bank A/c
iv.	Purchased goods on credit from Nilesh ₹ 2,000	Purchase is an expense	Purchases A/c	Expense A/c	Increase in Expense	Purchases A/c	–
		Nilesh is giver of the goods	Nilesh's A/c	Liability A/c	Increase in Liability	–	Nilesh's A/c
v.	Cash purchases ₹ 3,000	Purchase is an expense	Purchases A/c	Expense A/c	Increase in Expense	Purchases A/c	–
		Cash goes out of the business	Cash A/c	Asset A/c	Decrease in Asset	–	Cash A/c
vi.	Paid wages ₹ 400	Wages is an expense	Wages A/c	Expense A/c	Increase in Expense	Wages A/c	–
		Cash goes out of the business	Cash A/c	Asset A/c	Decrease in Asset	–	Cash A/c
vii.	Purchased a chair for office use ₹ 3,200	Chair comes in	Chair A/c	Asset A/c	Increase in Asset	Chair A/c	–
		Cash goes out of the business	Cash A/c	Asset A/c	Decrease in Asset	–	Cash A/c



viii.	Sold goods to Mohan worth ₹ 1,200	Mohan is receiver of the goods	Mohan's A/c	Asset A/c	Increase in Asset	Mohan's A/c	–
		Sales is an income	Sales A/c	Revenue A/c	Increase in Revenue	–	Sales A/c
ix.	Withdrew cash for office use ₹ 3,000	Cash comes in the business	Cash A/c	Asset A/c	Increase in Asset	Cash A/c	–
		Bank is giver of the cash	Bank A/c	Asset A/c	Decrease in Asset	–	Bank A/c
x.	Sold old furniture for ₹ 9,000	Cash comes in the business	Cash A/c	Asset A/c	Increase in Asset	Cash A/c	–
		Furniture goes out	Furniture A/c	Asset A/c	Decrease in Asset	–	Furniture A/c
xi.	Received dividend of ₹ 1,000	Cash comes in the business	Cash A/c	Asset A/c	Increase in Asset	Cash A/c	–
		Dividend is an income	Dividend A/c	Revenue	Increase in Revenue	–	Dividend A/c
xii.	Paid for printing bill book ₹ 200	Printing charges is an expense	Printing Expenses A/c	Expense A/c	Increase in Expense	Printing Expenses A/c	–
		Cash goes out of the business	Cash A/c	Asset A/c	Decrease in Asset	–	Cash A/c

Q.4. Give the accounting equation for the following transactions:

[Textbook page no. 43]

- Mr. Vaibhav started business with Cash ₹ 1,00,000.
- Purchased goods on credit from Rita Stores ₹ 9,000.
- Purchased Laptop for office use ₹ 10,000.
- Sold goods to Rina on credit ₹ 12,000.
- Received Interest ₹ 2,500
- Paid Telephone bill ₹ 1,300.

Solution:

Sr. No.	Transactions	Assets (₹)	=	Liabilities (₹)	+	Capital (₹)
i.	Mr. Vaibhav started business with cash ₹ 1,00,000	1,00,000	=	0	+	1,00,000
		1,00,000	=	0	+	1,00,000
ii.	Purchased goods on credit from Rita stores ₹ 9,000	(+) 9,000	=	(+) 9,000	+	0
		1,09,000	=	9,000	+	1,00,000
iii.	Purchased laptop for office use ₹ 10,000	(–) 10,000	=	0	+	0
		(+) 10,000	=	0	+	0
iv.	Sold goods to Rina on credit ₹ 12,000	1,09,000	=	9,000	+	1,00,000
		(–) 12,000	=	0	+	0
v.	Received Interest ₹ 2,500	(+) 12,000	=	0	+	0
		1,09,000	=	9,000	+	1,00,000
vi.	Paid Telephone bill ₹ 1,300	(+) 2,500	=	0	+	(+) 2,500
		1,11,500	=	9,000	+	1,02,500
		(–) 1,300	=	0	+	(–) 1,300
		1,10,200	=	9,000	+	1,01,200



Q.5. Give the accounting equation for the following transactions:

[Textbook page no. 43]

- Mr. Swaraj commenced business with Bank balance ₹ 1,10,000.
- Purchased Furniture on credit from S.M Furniture Mart ₹ 25,000.
- Bought goods on credit from Yuvraj ₹ 15,000.
- Purchased Machinery worth ₹ 10,000.
- Paid Electricity bill ₹ 3,500.
- Goods destroyed by fire ₹ 1,500.

Solution:

Sr. No.	Transactions	Assets (₹)	=	Liabilities (₹)	+	Capital (₹)
i.	Mr. Swaraj commenced business with Bank balance ₹ 1,10,000	1,10,000	=	0	+	1,10,000
		1,10,000	=	0	+	1,10,000
ii.	Purchased furniture on credit from S.M. Furniture Mart ₹ 25,000	(+) 25,000	=	(+) 25,000	+	0
		1,35,000	=	25,000	+	1,10,000
iii.	Bought goods on credit from Yuvraj ₹ 15,000	(+) 15,000	=	(+) 15,000	+	0
		1,50,000	=	40,000	+	1,10,000
iv.	Purchased Machinery worth ₹ 10,000	(-) 10,000				
		(+) 10,000	=	0	+	0
		1,50,000	=	40,000	+	1,10,000
v.	Paid Electricity bill ₹ 3,500	(-) 3,500	=	0	+	(-) 3,500
		1,46,500	=	40,000	+	1,06,500
vi.	Goods destroyed by fire ₹ 1,500	(-) 1,500	=	0	+	(-) 1,500
		1,45,000	=	40,000	+	1,05,000

Q.6. Show accounting equation for the following transactions:

[Textbook page no. 43]

- Rohit started business with cash ₹ 50,000.
- Bought goods on credit from Manoj ₹ 6,000.
- Cash purchases ₹ 5,000.
- Paid wages ₹ 3,000 to Casual labour.
- Sold goods to Santosh worth ₹ 7,000 on credit.
- Received Commission ₹ 1,000 from Vaishali.

Solution:

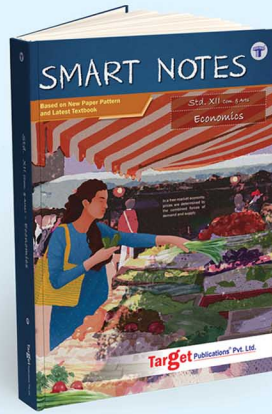
Sr. No.	Transactions	Assets (₹)	=	Liabilities (₹)	+	Capital (₹)
i.	Rohit started business with cash ₹ 50,000	50,000	=	0	+	50,000
		50,000	=	0	+	50,000
ii.	Bought goods on credit from Manoj ₹ 6,000	(+) 6,000	=	(+) 6,000	+	0
		56,000	=	6,000	+	50,000
iii.	Cash purchases ₹ 5,000	(-) 5,000				
		(+) 5,000	=	0	+	0
		56,000	=	6,000	+	50,000
iv.	Paid wages ₹ 3,000 to casual labour	(-) 3,000	=	0	+	(-) 3,000
		53,000	=	6,000	+	47,000
v.	Sold goods to Santosh worth ₹ 7,000 on credit	(-) 7,000				
		(+) 7,000	=	0	+	0
		53,000	=	6,000	+	47,000
vi.	Received commission ₹ 1,000 from Vaishali	(+) 1,000	=	0	+	(+) 1,000
		54,000	=	6,000	+	48,000



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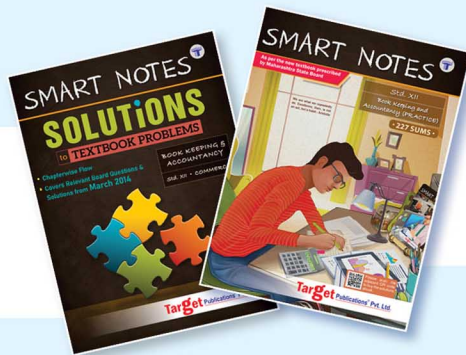


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