

# Example of Accounting Equation

## Problem

Show the Accounting Equation on the basis of the following transaction and present a Balance Sheet on the basis of last new equation balances.

Suparna and Shyamasree entered into partnership. They contributed Rs. 1,00,000 and Rs. 80,000 as capital respectively. Other transactions were as under:

	Rs.
Gold purchased by them	60,000
Wages paid to workers	25,000
Ornaments sold (costing Rs. 50,000)	70,000
Ornaments sold on credit (costing Rs. 10,000)	15,000
Amount received from debtors	14,700
Discount allowed	300
Gold purchased on credit	8,000
Ornaments purchased	6,000
Payment to creditor in full settlement	7,800
Amount withdrawn:	
Suparna	6,000
Shyamasree	5,000

## Solution

<i>Accounting Equation</i>							
<i>Transactions</i>	<i>Assets</i>			<i>= Liabilities + Capital</i>			
	<i>Cash</i>	<i>+ Stock of Goods</i>	<i>+ Debtors</i>	<i>= Creditors</i>	<i>+ Capital</i>		
Started business with cash Rs. 1,80,000	1,80,000	+	0	+	0	+	1,80,000
(i) Gold purchased for Rs. 60,000	(-) 60,000	+	60,000	+	0	=	0
New equation	1,20,000	+	60,000	+	0	=	1,80,000
(ii) Wages paid to workers Rs. 25,000	(-) 25,000	+	25,000	+	0	=	0
New equation	95,000	+	85,000	+	0	=	1,80,000
(iii) Ornaments sold for Rs. 70,000 (costing Rs. 50,000)	70,000	(-)	50,000	+	0	=	20,000
New equation	1,65,000	+	35,000	+	0	=	2,00,000
(iv) Ornaments sold on credit for Rs. 15,000 (costing Rs. 10,000)	0	(-)	10,000	+	15,000	=	5,000
New equation	1,65,000	+	25,000	+	15,000	=	2,05,000
(v) Amount received from debtor Rs. 14,700 Discount allowed Rs. 300	14,700	+	0	(-)	15,000	=	(-) 300
New equation	1,79,700	+	25,000	+	0	=	2,04,700
(vi) Gold purchased on credit Rs. 8,000	0	+	8,000	+	0	=	8,000
New equation	1,79,700	+	33,000	+	0	=	2,04,700
(vii) Ornaments purchased for Rs. 6,000	(-) 6,000	+	6,000	+	0	=	0
New equation	1,73,700	+	39,000	+	0	=	2,04,700
(viii) Payment to creditors Rs. 7,800 in full settlement	(-) 7,800	+	0	+	0	=	(-) 8,000
New equation	1,65,900	+	39,000	+	0	=	2,04,900
(ix) Amount withdrawn by partners	(-) 11,000	+	0	+	0	=	(-) 11,000
New equation	1,54,900	+	39,000	+	0	=	1,93,900

<i>Balance Sheet as at .....</i>			
<i>Assets</i>	<i>Rs.</i>	<i>Liabilities</i>	<i>Rs.</i>
Capital	1,93,900	Cash	1,54,900
		Stock of goods	39,000
	1,93,900		1,93,900