

PROBLEMS

Problem # 4.1: Habib Ullah Sadiq is wholesale trader; following transactions are record in Accounting Equation?

- i. Commence business with cash Rs. 200,000 and Land Rs. 50,000
- ii. Bought merchandising for cash Rs. 80,000
- iii. Cash sales of worth Rs. 25,000
- iv. Bought goods on credit from Salman of worth Rs. 50,000
- v. Sales on account to Ali Raza Rs. 12,000
- vi. Purchase furniture of the value of Rs. 5,000 by cash
- vii. Received cash form Ali Raza of Rs. 10,000
- viii. Return defective furniture of worth Rs. 1,500
- ix. Paid wages Rs. 1,000, Rent 2,000 and Electricity Bill Payable Rs. 1,500

Habib Ullah Sadiq*Accounting Equation*

S. No	Assets				Equities	
	Cash	Land	A/C Receivables	Furniture	A/C Payable	O.E
i						
Bal	200,000	50,000				250,000
ii						
Bal	120,000	50,000				170,000
iii						
Bal	145,000	50,000				195,000
iv						
Bal	145,000	50,000			50,000	145,000
v						
Bal	145,000	50,000	12,000		50,000	157,000
vi						
Bal	140,000	50,000	12,000	5,000	50,000	157,000
vii						
Bal	150,000	50,000	2,000	5,000	50,000	157,000
viii						
Bal	151,500	50,000	2,000	3,500	50,000	157,000
ix						
Bal	148,500	50,000	2,000	3,500	51,500	152,500
Total						

Problem # 4.2: Muhammad Faizan Abid had the following transactions. Use accounting equation to show their effect on his Assets, Liabilities and Capital?

- a) Invested Rs. 15,000 in cash
- b) Purchased securities for cash Rs. 7,500
- c) Purchased a home for Rs. 15,000: giving Rs. 5,000 in cash and the balance through loan account
- d) Sold securities costing Rs. 1,000 for Rs. 1,500
- e) Purchase an old car for Rs. 2,800 cash
- f) Received cash as salary Rs. 3,600
- g) Paid cash Rs.500 for loan and Rs. 300 for interest
- h) Paid cash for expenses Rs. 300
- i) Received cash for dividend on securities Rs.200

Muhammad Faizan Abid

Accounting Equation

S. No	Assets				Equities	
	Cash	Securities	Home	Car	Loan	O.E
a)						
Bal						
b)						
Bal						
c)						
Bal	2,500	7,500	15,000		10,000	15,000
d)						
Bal						
e)						
Bal						
f)						
Bal						
g)						
Bal	4,000	6,500	15,000	2,800	9,500	18,800
h)						
Bal						
i)						
Bal	3,900	6,500	15,000	2,800	9,500	18,700
Total						

Problem # 4.3: Selected Transactions from Shah Transport Services began on June 1, 2016 by Zahid Shah as?

- a. Zahid Shah invested Rs. 600,000
- b. A Truck was Purchase by business for Rs. 430,000
- c. Equipment purchased on credit for Rs. 9,000
- d. A bill of Rs. 7,200 for transporting goods was sent to Mr. Ashraf Abbasi, a customer
- e. Cash of Rs. 6,000 is received from the customer who was billed in d
- f. Received Rs. 22,300 is cash for transporting goods
- g. A payment of Rs. 5,000 was made on the equipment purchased in c
- h. Paid expenses of different types for Rs. 1,700 in cash
- i. Equipment of Rs. 1,200 was withdrawn from business for Zahid Shah's personal use

Required

Arrange the Assets, Liabilities and Owner's Equity accounts in an Accounting Equation, using the following account titles: Cash, Trucks, Equipment, Account Receivables, Account Payable and Owner's Equity

Shah Transport Services

Accounting Equation

S. No	Assets				Equities	
	Cash	Truck	Equipment	A/C Receivables	A/C Payable	O.E
a						
Bal						
b						
Bal						
c						
Bal						
d						
Bal	170,000	430,000	9,000	7,200	9,000	607,200
e						
Bal						
f						
Bal						
g						
Bal						
h						
Bal						
i						
Bal	191,600	430,000	7,800	1,200	4,000	626,600
Total						

Problem # 3.4: Prove that the Accounting Equation is satisfied in all following transactions of Wajeeha Ejaz owner of business enterprises?

- I. Started business with cash value of Rs. 500,000
- II. Rent paid in advance for a year Rs. 6,000
- III. Purchased merchandising inventory for cash Rs. 80,000 and on account Rs. 20,000 from Mr. Tahir
- IV. Purchased Marketable securities for cash Rs. 100,000
- V. Cash Sales Rs. 30,000 (cost 20,000)
- VI. During the period rent expires Rs. 2,000
- VII. Commission paid during the trading was Rs. 1,000
- VIII. Received cash dividend Rs. 4,000 on marketable securities
- IX. Paid to Rs. 19,500 to Mr. Tahir in full settlement
- X. Withdrew inventory for domestic purpose by owner of worth Rs. 6,000

Wajeeha Ejaz

Accounting Equation

S. No	Assets				Equities	
	Cash	Prepaid Rent	Inventory	M. Securities	A/C Payables	O.E
I						
Bal						
II						
Bal						
III						
Bal						
IV						
Bal	314,000	6,000	100,000	100,000	20,000	500,000
V						
Bal						
VI						
Bal						
VII						
Bal						
VIII						
Bal						
IX						
Bal						
X						
Bal						
Total	Rs. 505,500				Rs. 505,500	

Problem # 3.5: Show the effect of the following transactions upon the Accounting Equation?

June 1	Mr. Salman started business with cash Rs. 80,000, Inventory Rs. 50,000 & Machinery Rs 5,000
5	Purchased furniture for cash Rs. 4,000 and purchased goods from Naveed store of Rs. 25,000
8	Sold goods to Rashid on credit basis for Rs. 8,000, costing Rs. 6,500
12	Open a bank account and deposited Rs. 40,000
18	Sold goods for cash Rs. 15,000, which is 20% above cost
24	Received Rs. 7,800 from Rashid in full settlement for June 8 th transaction
29	Paid Rs. 24,700 to Naveed store in full settlement for June 5 th transaction by bank
30	Paid rent and salaries for the month Rs. 4,000 and wages outstanding for month Rs. 1,000

Solution:

Accounting Equation

S. No	Assets						Equities		
	Cash	Inventory	Machinery	Furniture	Debtors	Bank	Creditors	W. Outstanding	Capital
Total	Rs. 135,100						Rs. 135,100		