

Multiple Choice Questions (MCQs)

Select the correct alternative:

(i) Which of the following equations is correct?

(a) Assets + Capital = Liabilities.

(c) Assets + Liabilities = Capital.

(b) Assets – Liabilities = Capital.

(d) None of these.

(ii) Which of the following is correct?

	Assets	Liabilities	Capital
(a)	₹ 7,85,000	₹ 1,25,000	₹ 6,60,000
(b)	₹ 8,20,000	₹ 2,80,000	₹ 11,00,000
(c)	₹ 9,55,000	₹ 1,15,000	₹ 8,20,000
(d)	₹ 5,42,000	₹ 6,54,000	₹ 1,12,000

- (iii) Amount withdrawn by proprietor for personal use will ... Cash and Capital.
- (a) Increase. (b) Decrease.
(c) Not Change. (d) None of these.
- (iv) Which accounting equation is incorrect out of the following?
- (a) Liabilities = Assets – Capital. (b) Assets = Liabilities – Capital.
(c) Capital = Assets – Liabilities. (d) Assets = Liabilities + Capital.
- (v) The liabilities of a firm are ₹ 3,000; the capital of the proprietor is ₹ 7,000. The total assets are:
- (a) ₹ 7,000. (b) ₹ 10,000.
(c) ₹ 4,000. (d) None of these.
- (vi) 'X' commenced business on 1st April, 2013 with a capital of ₹ 6,00,000. On 31st March, 2014 his assets were worth ₹ 8,00,000 and liabilities ₹ 50,000. Find out his closing capital.
- (a) ₹ 7,50,000. (b) ₹ 2,00,000.
(c) ₹ 5,50,000. (d) None of these. (KVS 2015)
- (vii) An increase in one asset is accompanied by
- (a) Decrease in another asset. (b) increase in a liability.
(c) Increase in capital. (d) All of these.
- (viii) Decrease in one liability may lead to
- (a) Decrease in an asset. (b) Increase in another liability.
(c) Either (a) or (b). (d) None of these.
- (ix) Purchase of machine by cash means
- (a) Decrease in asset and decrease in liability.
(b) Increase in asset and decrease in asset.
(c) Increase in asset and decrease in liability.
(d) Decrease in asset and increase in capital.
- (x) Payment to a creditor means
- (a) Increase in asset and decrease in liability.
(b) Decrease in asset and decrease in liability.
(c) Decrease in asset and increase in liability.
(d) Increase in asset and increase in liability.
- (xi) Purchase of furniture on credit means
- (a) Decrease in asset and increase in liability.
(b) Increase in asset and increase in liability.
(c) Increase in asset and decrease in liability.
(d) Decrease in asset and decrease in liability.

Short Answer Type Questions

1. Explain in short the meaning of an Accounting Equation.
2. "Accounting Equation ($A = L + C$) always holds good under all circumstances." Explain with the help of **two** examples. (Delhi 2007)
3. What is owner's equity? Give an equation for calculating owner's equity. Give **two** examples at least.
4. From the following information find the capital of Vijay: Total Assets ₹ 5,00,000; Creditors ₹ 1,00,000; Loan from Bank ₹ 1,50,000. [₹ 2,50,000.]
5. If the Capital is ₹ 2,60,000 and Assets are ₹ 5,00,000, what is the amount of Liabilities? [₹ 2,40,000.]
6. If the Capital is ₹ 1,00,000 and Outside Liabilities are ₹ 2,50,000, find the Total Assets. [₹ 3,50,000.]
7. Ram started business on 1st April, 2018 with a Capital of ₹ 25,000 and a loan of ₹ 12,500. On 31st March, 2019, his assets were ₹ 50,000. Find his capital as on 31st March, 2019 and the profit earned during the year. [Capital ₹ 37,500; Profit ₹ 12,500.]
8. Calculate total assets if:
Capital is ₹ 2,00,000; Creditors ₹ 50,000; Revenue during the year ₹ 5,00,000; and Expenses during the year ₹ 4,00,000. [₹ 3,50,000.]
9. (a) A starts a business and invests ₹ 50,000 on 1st April, 2018. On 31st March, 2019 his assets are ₹ 65,000 and liabilities are ₹ 6,000. Find out the amount of capital on 31st March, 2019 and his profit.

(b) In the above case, if the proprietor had invested ₹ 5,000 as additional capital and withdrawn ₹ 2,000, what will be your answer?

(c) If A had withdrawn from his business ₹ 3,000 for personal use, find out the profit in this case.
[(a) Capital ₹ 59,000, Profit ₹ 9,000; (b) Profit ₹ 6,000; (c) Profit ₹ 12,000.]

10. Determine the missing amounts on the basis of the Accounting Equation:

Assets = Liabilities + Capital

(i) ₹ 20,000 = ₹ 15,000 + ?

(ii) ? = ₹ 5,000 + ₹ 10,000

(iii) ₹ 10,000 = ? + ₹ 8,000 [(i) ₹ 5,000; (ii) ₹ 15,000; (iii) ₹ 2,000.]

11. The assets of a business on 31st March, 2019 are ₹ 50,000 and its capital is ₹ 35,000. Calculate its liabilities on that date.
[₹ 15,000.]