

Chapter 2 – Basic Accounting Terms

Question 1. Mr. Gopal started business for buying and selling of readymade garments with Rs.8, 00,000 as an initial investment. Out of this he paid Rs.4,00,000 for the purchase of garments and Rs.50,000 for furniture and Rs.50,000 for computers and the remaining amount was deposited into the bank. He sold some of the ladies and kids garments for Rs.3,00,000 for cash and some garments for Rs.1,50,000 on credit to Mr. Rajesh. Subsequently, he bought men's garments of Rs.2,00,000 from Mr. Satish. In the first week of the next month, a fire broke out in his office and stock of garments worth Rs.1,00,000 was destroyed. Later on, some garments which cost Rs.1,20,000 were sold for Rs.1,30,000. Expenses paid during the same period were Rs.15,000. Mr. Gopal withdrew Rs.20,000 from business for his domestic use. From the above, answer the following:

1. What is the amount of capital with which Mr. Gopal started the business?
2. What fixed assets did he buy?
3. What is the value of the goods purchased?
4. Who is the creditor and state the amount payable to him?
5. Who is the debtor and what is the amount receivable from him?
6. What is the total amount of expenses?
7. What is the amount of drawings of Mr. Gopal?

Solution:

1. Initial capital introduced by Mr. Gopal for starting the business of "Readymade Garments" is Rs.8,00,000.
2. He purchased two Fixed Assets i.e., Furniture and Computer. Therefore,
Total Fixed Assets bought by him
= Furniture + Computer
= Rs.50,000 + Rs.50,000 = Rs.1,00,000
3. Value of the goods purchased by Mr. Gopal (Proprietor) = Purchase of Garments +
Purchase of Men's Garments
= 4,00,000 + 2,00,000
= Rs.6,00,000

4. The creditor of the business is Mr. Satish with Rs.2, 00,000 being payable to him.
5. The debtor of the business is Mr. Rajesh with Rs.1,50,000 being the amount to be received from him.
6. Total amount of expenses is Rs.15,000.
7. The amount of drawings of Mr. Gopal is Rs.20,000.