

Illustration 1.

X has following assets and liabilities as on 31st March, 2023. Determine his capital.

Cash ₹ 25,000; Bank ₹ 47,500; Debtors ₹ 18,000; Creditors ₹ 22,000; Plant and Machinery ₹ 80,000; Building ₹ 2,00,000; Furniture ₹ 24,000; Goodwill ₹ 56,500; Bank Overdraft ₹ 23,500.

Solution:

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

Or
$$\text{Capital} = \text{Assets} - \text{Liabilities}$$

Or
$$\begin{aligned}\text{Capital} &= (\text{Cash} + \text{Bank} + \text{Debtors} + \text{Plant and Machinery} + \text{Building} + \\ &\quad \text{Furniture} + \text{Goodwill}) - (\text{Creditors} + \text{Bank Overdraft}) \\ &= ₹ (25,000 + 47,500 + 18,000 + 80,000 + 2,00,000 + 24,000 + \\ &\quad 56,500) - ₹ (22,000 + 23,500) \\ &= ₹ (4,51,000 - 45,500) = ₹ 4,05,500.\end{aligned}$$