CONCEPT SHEET / 01 / XI · CA Foundation

The accounting equation

See the whole transaction.

The idea

Buying furniture for cash changes the form of assets, not their total.

Follow the effects

Transaction	Assets	Liabilities / Capital
Owner introduces ₹50,000 cash	Cash +₹50,000	Capital +₹50,000
Furniture bought for ₹10,000 cash	Furniture +₹10,000; Cash -₹10,000	No change
Inventory bought on credit, ₹5,000	Inventory +₹5,000	Payable +₹5,000
₹2,000 paid to a supplier	Cash -₹2,000	Payable -₹2,000

Asset swaps do not automatically create profit. Identify both effects before deciding the entry.

Think it through

When goods costing ₹5,000 are bought on credit, what changes?

Answer: Inventory (an asset) increases by ₹5,000 and the payable (a liability) increases by ₹5,000. Capital is unchanged.

Use this short learning aid alongside your prescribed textbook, complete class notes and question practice.