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Recording of Transactions-II

Question 5:

Describe the advantages of sub-dividing the Journal.

ANSWER:

The advantages of sub division of Journal are given below.

- 1. Division of work:** The lack of sub-division of Journal may lead to chaos and confusions, if large numbers of transactions are to be recorded through Journal entry by more than one accountant. There will be more inflexibility and lack of accountability among the accountants. Sub-division of Journal into Subsidiary Books facilitates division of work. Sub-division enables different accountants to work on different books. This will **not** only avoid confusions but also enhance the sense of accountability among the accountants.
- 2. Time saving:** The art of recording through subsidiary book is time efficient and more effective as compared to recording through Journal entries.
- 3. Prompt information:** The transactions of similar nature are recorded in a particular Subsidiary Book. This acts as a ready source to access information quicker than through Journal entry.
- 4. Creates Accountability:** Sub-division of Journal entrusts accountants with higher degree of responsibility and accountability for maintaining subsidiary book that are assigned to them.
- 5. Easy checking:** In case discrepancies or errors arise, they can be easily located and rectified, as lesser number of transactions is recorded in a Subsidiary Book than in a Journal.
- 6. Specialisation:** The accountability, responsibility and division of work together enhance the specialisation of each accountant. This is because, routine and repetitive tasks are performed by each accountant.

Question 6:

What do you understand by balancing of account?

ANSWER:

Accounts are prepared on weekly, fortnightly, monthly, quarterly or on daily basis. At the end of each period they are balanced. The balancing of the accounts is done in the manner given below.

- 1.** The totals of the debit and credit of an account is calculated, to ascertain which one of them is higher.
- 2.** The higher figure among debit and credit side is written in the grand total cell on both sides of the account, i.e., in debit and in credit side.

3. The next step is to ascertain the difference between the debit total and the credit total. This difference is called 'Closing Balance' or 'Balance carried down', and is denoted by 'Balance c/d'.
4. The 'Balance c/d' will be shown either in the debit or credit side, whichever totals up into lower amount.
5. If 'Balance c/d' is written in the debit side, then the balance is called 'Credit balance'. On the other hand, if 'Balance c/d' is written in the credit side, then the balance is called 'Debit Balance'.
6. On closing the account, 'Balance c/d' is brought forward to the subsequent period, and it is written as 'Balance b/d'.

Usually, the closing balances of real and personal accounts are forwarded to the next period by this manner. For nominal accounts, Steps 1 to 3 remain same and they are closed by transferring the closing balances either to Trading Account or to Profit and Loss Account.
