

# VIDYA BHAWAN, BALIKA VIDYAPITH

Shakti Utthan Ashram, Lakhisarai-811311(Bihar)

Class: 11th Com.

CT . Ajay Kumar Sharma

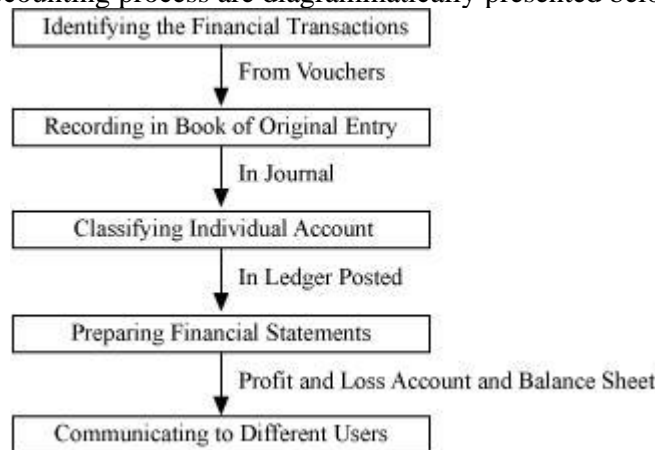
SUB. Accountancy

Question 1:

State the three fundamental steps in the accounting process.

ANSWER:

The fundamental steps in the accounting process are diagrammatically presented below.



Question 2:

Why is the evidence provided by source documents important to accounting?

ANSWER:

The evidence provided by the source document is important in the following manners:

1. It provides evidence that a transaction has actually occurred.
2. It provides important and relevant information about date, amount, parties involved and other details of a particular transaction.
3. It acts as a proof in the court of law.
4. It helps in verifying transactions during the auditing process.

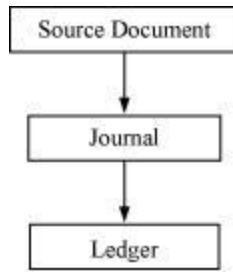
Question 3:

Should a transaction be first recorded in a journal or ledger? Why?

ANSWER:

A transaction should be recorded first in a journal because journal provides complete details of a transaction in one entry. Further, a journal forms the basis for posting the transactions into their respective accounts into ledger.

Transactions are recorded in journal in chronological order, i.e. in the order of occurrence with the help of source documents. Journal is also known as 'book of original entry', because with the help of source document, transactions are originally recorded in books. The process of recording the transactions in journal and then in ledger is presented in the below-given flow chart.



Question 4:

Are debits or credits listed first in journal entries? Are debits or credits indented?

ANSWER:

As per the rule of double entry system, there are two columns of 'Amount' in the journal format namely 'Debit Amount' and 'Credit Amount'. The way of recording in a journal is quite different from normal recording. Journal entry is recorded in journal format in which the 'Debit Amount' column is listed before the 'Credit Amount' column. Credits are indented. Indentation is leaving a space before writing any word. Journal entry has its own jargon. While journalising, in the 'Particulars' column of journal format, debited account is written first and credited account is in the next line leaving some space, which is indentation.

Question 5:

Why are some accounting systems called double accounting systems?

ANSWER:

Some accounting systems are called double accounting systems because under this system there are two aspects of every transaction, i.e., every transaction has dual effect. Every transaction affects two accounts simultaneously, that is represented by debiting one account and crediting the other account. It is based on the fact that if there is receiver, there should be a giver.

Question 6:

Give a specimen of an account.

ANSWER:

\_\_\_\_\_Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs

Question 7: Why are the rules of debit and credit same for both liability and capital?

ANSWER:

Every business acquires funds from internal as well as from external sources. According to the business entity concept, the amount borrowed from the external sources together with the internal sources like, capital invested by

the proprietor, is termed as liability to the business. Business entity concept treats business and business owner separately. Capital of the owner is treated as liability to the business because the business has to repay the amount of capital to the owner, in case of closure of the business. As liability incurred is credited, in the same way, fresh capital introduced and net profit increases the owner's capital, and so, capital is credited. On the other hand, if liability is paid, it reduces liability, and so, it is debited. Similarly, drawings from capital and net loss reduce the capital, and so, capital is debited. Thus the rules of debit and credit are same for both liability and capital.

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*Question 8:*

What is the purpose of posting J.F numbers that are entered in the journal at the time entries are posted to the accounts?

*ANSWER:*

J.F. number is the number that is entered in the ledger at the time of posting entries into their respective accounts. It helps in determining whether all transactions are properly posted in their accounts. It is recorded at the time of posting and **not** at the time of recording the transactions.

The purpose of entering J.F. number in the ledger is because of the below given benefits.

1. J.F. number helps in locating the entries of accounts in the journal book. In other words, J.F number helps to locate the position of the related journal entry and subsidiary book in the journal book.
2. J.F. number in accounts ensures that recording in the books of original entry has been posted or **not**.

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*Question 9:*

What entry (debit or credit) would you make to: (a) increase revenue (b) decrease in expense, (c) record drawings (d) record the fresh capital introduced by the owner.

*ANSWER:*

1. Increase in revenue

Increase in revenue is credited as it increases the capital. Capital has credit balance and if capital increases, then it is credited.

2. Decrease in expense

Decrease in expense is credited as all expenses have debit balance. If expense decreases, then it is credited.

3. Record drawings

Capital has credit balance; if the capital increases, then it is credited. If capital decreases, then it is debited. Drawings are debited as they decrease the capital.

4. Record of fresh capital introduced by the owner– credit

Capital has credit balance, if capital increases, then it is credited. The introduction of fresh capital increases the balance of capital, and so, it is credited.

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*Question 10:*

If a transaction has the effect of decreasing an asset, is the decrease recorded as a debit or as a credit? If the transaction has the effect of decreasing a liability, is the decrease recorded as a debit or as a credit?

*ANSWER:*

If a transaction has a decreasing effect on an asset, then this decrease is recorded as credit. This is because, as all assets have debit balance and if assets decrease, then it is credited. For example, sale of furniture results in decrease in furniture (asset); so, the sale of furniture will be credited.

If a transaction has a decreasing effect on a liability, then this decrease is recorded as debit. This is because all liabilities have credit balance. If the liability increases, then it is credited and if the liability decreases, then it is debited. For example, payment to the creditors results in a decrease in the creditors (liability); so, the creditors account will be debited.

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