



**STD. 11th CBSE /S.B / ISC
Accountancy**

1. Basics Accounting Term

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Basic Accounting Terms

1. ACCOUNT

Account is the Art of Recording , Classifying and Summarising in a Significant Manner & in terms of Money Transaction & Events Which are in a part at least of financing character & interpreting the Result

2. BUSINESS TRANSACTION

It means a financial transaction entered into by two parties & recorded in books of account . It is Express in terms of money . **Ex:-** Purchase of Goods , Sale of Goods , Rent Pay , Salary Pay, Machine Purchase etc.

3. GOODS

Goods are the physical item of trade .Individual or Firm Purchase items for the purpose of sale that items known as Goods .

(a) Purchase A/c	(b) Purchase Return	(c) Creditors
The term purchase is used for purchase of goods for resale or for providing Finish Product which are to be sold .It include both cash and Credit purchase.	When goods purchase may be returned for any reason to supplier are called Sales Return. (like Defective in Quantity) It is also called as “ Return outward ”	Creditor is person from whom firm purchase goods on credit basis in ordinary course of business. Example:- Mr. Popatlal Buy Goods from Gada Electronics On Credit Basis, In this case Gada Electronics Is become creditor for Mr. Popatlal

(d) Sale A/c	(e) Sale Return A/c	(f) Debtor
The term sale is used for sale of goods which are dealt by the firm , The term sales include cash and credit sales .	When goods sold return by customer are called Sales Return . It is also called “Return Inward”	Debtors is a person to whom firm has sold goods or services on credit in ordinary course of business. Example:- Gada Electronics. Sold Goods to Mr. Popatlal on credit basis , In this case Mr. Popatlal is become Debtor for Gada Electronics



(g) Stock :-

Stock is tangible assets held by firm for the purpose of production or sales of goods . It is generally calculated at the end of the year.

4. EXPENDITURE

It is the cost incurred at time of Purchase of Goods / Assets or Rendering Services .Which may be Incurred for Two Purpose Revenue or Capital .

(a) Revenue Expense	(b) Capital Expense
It is an expense paid or payable and the benefits of which is consumed with in Current Accounting Period (Less then 1 Year) is called as Revenue expense. The expense incurred on this on consistent basis may be Daily/Weekly/Monthly Basis.	It is an expense paid or payable and the benefits of which is consumed in future Accounting Period (More then 1 Year) is called as Capital expense.
Example:- Rent paid , salary paid , Electricity bill paid .etc	Example:- Purchase of Fixed Assets , Prepaid Insurance etc.

(c) Prepaid Expense	(d) Outstanding Expense
It is an expense that has been paid in advance and the benefits of which will be available in the following year or years .	:- It is an expense that has been incurred but has not been paid
Example:- Prepaid Recharge , Prepaid Insurance etc.	Example:- Salary generated of employee but not paid

5. RECEIPTS

It is Income generated by way of sale of goods or sale of assets . Which may be Receive from Two ways

(a) Revenue Receipts	(b) Capital Receipt
Amount received or receivable from sale of goods & services in normal course of business activity. The income is generated on consistent basis may be Daily/Weekly/Monthly Basis .	Amount Received or receivable from source which are not in Revenue in Nature Calles As Capital Receipt . It is generally a big amount
Example:- Sale of goods , sale of Scrap , Interest Receive / commission receive on monthly basis	Example:- Sale of Fixed Asset

6. Bad Debt :- Bad dept is amount which become irrecoverable from debtor it is because of insolvency or death of debtors . It is loss to business .



7. Insolvent Person :- Is a person who is not in position to pay his debt.

8. Proprietor :- Person who commence business and bear all risk associated with business is called as proprietors .

9. ASSETS

It is Generally known as property of individuals or company to which money value can be attached . Which is classified as following

(a) Non-Current Assets :-	(b) Current Assets
Non current Assets are those assets which are held by business from long term point of view (More than 1 Year). This is also known as “ Fixed Assets ” Example:- Land , Building , Machinery etc.	current Assets are those assets which are held by business from Short term point of view (Less than 1 Year). This is also known as “ Current Assets ” Example:- cash, Bank, Stock , Debtors
There are two types of Non current Assets	
(i) Tangible Assets :- Are Those fixed assets which have there physical existence . it means they can be seen or touchable in nature . Example:- Land , Building, Mobile	(ii) Intangible Assets :- Are those fixed assets which do not have there physical existence it means they cannot be seen or touchable in nature. Example:- Software , Goodwill , Patent , copyright , trade mark. Etc

- **Profit:** Profit is the positive difference between the income generated from selling goods or services and the Expenses incurred to perform that business activity. Profit is the excess of revenues over the expenses.
- **Gain:** A Gain is an increase in the total value of an asset of a business. It takes place when the current price of the asset exceeds its original purchase price. It can occur at any time during the useful life of an asset.
- **Loss:** Loss is the excess of the Expenses incurred from selling goods or services over the income generated to perform that business activity. Sustained losses overtime can lead to the shutdown of a business organisation.

10. LIABILITY

The amount invested by person other than owner into business or the money owes by owners from outsider is called as Liabilities . Liabilities always payable on due date .

Example:- Bank loan , Creditors , Mortgaged loan

Liability classified as follows

(a) Non – Current Liability	(b) Current Liability
Those liability which are payable after period of more than 1 accounting period . Example:- Home loan , Car loan	Those liability which are payable within Period of one year from end of current accounting year . Example:- Creditors, Short term loan .

11. Capital :- Money as well as Assets invested by owner into business is called as capital

Capital is a critical component of any business to run its daily operations and help its future growth. The capital for a business comes either from its owners or from outsiders (shares, debentures, or bonds).

12. Drawing :- Money, assets and Goods withdraw by owner from business for there personal purpose is called as Drawing. Drawings refer to the withdrawals made by the owners of a business for personal use. It gets deducted from the Owner's Capital in the Liabilities side of a Balance Sheet.

13. Discount :- When customers are allowed concessions (Rebate) in the price of goods and services or from amount payable it is called as Discount . There are two types of discount which are as follows

(i) Trade Discount :-	(ii) Cash Discount :-
It is concession allowed by sales on the basis of either quantity or value of sale . sales are recorded in account at net sales prices (i.e Gross sales (-) Trade Discount) Similarly Purchase are recorded at net Purchase price.	It is concession allow to customer for making timely payment or early payment whatever discount received that discount called as Cash Discount.

Practice Questions

Que .1) Fill in the blanks

1. A person to whom a firm owes money is a _____
2. Goods taken by the owner for personal use are called _____
3. The amount invested by the owner in business is called _____
4. The amount of debt _____ from the debtors are termed as bad debt.
5. A person who owes money to the firm is a _____

Que 2.) Multiple Choice Questions

1. Ram purchase a car for Rs. 10,000 paid Rs. 3,000 as cash & balance amount will be paid in three instalment. Due to this

- (a) total assets increase by 10,000
- (b) total liabilities increase by 3,000
- (c) assets will increase by 7,000 with corresponding increase in liabilities by 7,000
- (d) both a & b

2. Depreciation on fixed assets is an example of ?

- (a) Revenue expenditure, (b) Capital expenditure
- (c) Deferred revenue expenditure, (d) None of the above

3. Goodwill of firm is a

- (a) an expense, (b) revenue
- (c) assets, (d) liabilities

4. Mr. A credit purchase of goods as on 28.2.2018 have to pay after 2 month but he earlier pay the amount before due date of payment and got discount which is considered as ?

- (a) trade discount, (b) cash discount
- (c) cash cum in trade discount, (d) None of the above

5. Which of the following receipts are income?

- (a) Repayment of a loan, (b) Rent for premises sublet
- (c) loan taken from bank, (d) Sale of goods.

6. Which of the following payment are assets, which are expense?

- (a) purchase of typewriter, (b) payment of salary
- (c) acquisition of goodwill, (d) pay rent

Que.3) Mr. Ramlal carries on business as dealer. State which of the following are Transactions are business nature or personal nature (specify revenue exp. & capital exp., revenue & capital receipts.)

1. He purchase computer for his son.
2. He employs a typist for official correspondence & pays him Rs. 450 P.M
3. He buys cash register machine for Rs. 15,000
4. He sold old domestic furniture for Rs. 8,000
5. He pay salary to his domestic servant.
6. Sales to J. P stores on credit
7. He buys showcase for Rs. 800.
8. He takes loan of Rs. 10,000 from friend for the marriage of his daughter
9. Sold old business machine which he use in business.
10. He acquire goods on credit.

Que. 4) Mr. Prem commence business of trading in electronic goods with an initial capital of 15,00,000. Out of the said 15,00,000, he paid 10,00,000 toward purchase of electronic good. He further spent 2,00,000 on furnishing the shop and 35,000 for purchase of computer and printer. 10,000 is yet to be paid to supplier of computer.

He sold good costing 5,00,000 for 7,00,000 in cash and goods costing 2,50,000 for 3,10,000 on credit. Good sold on credit for 25,000 were returned being defective. These goods (costing 20,000) were returned to supplier.

Looking into the response, he decided to trade in home appliances also and further invested 5,00,000.

He purchase electronic good and home appliances for 8,00,000 out of which purchase of 2,00,000 were on credit.

You are required to answer the following question.

1. What is the amount of capital invested by Mr. Prem
2. What is amount of Fixed assets.
3. What is amount of purchase.
4. What is amount of liabilities
5. What amount balance in debtor account.
6. What amount balance in creditor account.
7. What is amount of return outward.
8. What amount of return inward.

Que. 5) Read the following hypothetical text and answer the given questions: -

Ben and Jones started with Cash ₹ 10,000 and Machinery ₹ 1,00,000. They decided to set up a production line for PPE kits for the protection from Covid 19 virus. As their demand expanded, they decided to purchase one more machinery. For the same, they took bank overdraft and purchased the machinery. The quality of the company's product was very high and therefore, it could develop a reputation for itself in the market and business was flourishing. After 1.5 years, their old machinery turned obsolete so they decided to sell the same. They sold it and got some cash proceeds. To further increase the brand presence among the concerned stakeholders, they decided to run advertisements from the cash proceeds of machinery sold. As more and more customers demanded their product, they decided to launch a discount for bulk purchases. The discount was not to be recorded in the books of accounts. This campaign was successful and they earned lot of profits from the same.

Questions:

1. Which type of discount is being discussed in the last part of passage?
(a) Trade discount, (b) Cash discount
(c) Both (a) and (b), (d) Can't be determine
2. Which asset is discussed in the line, "The quality of the company's product was very high and therefore, it could develop a reputation for itself in the market and business was flourishing"?
(a) Tangible, (b) Intangible
(c) Current, (d) Both (a) and (c)
3. Which type of liability is discussed in the passage?
(a) Non-current, (b) Current
(c) Both (a) and (b), (d) Can't be determined
4. What was the capital initially invested?
(a) ₹ 10,000, (b) ₹ 1,00,000, (c) ₹ 1,10,000, (d) Can't be determined
5. The passage involves capital receipts (apart from initial capital invested).
(a) True, (b) False, (c) Partially true, (d) Can't say

Mind Map



