

Class 11th
GSEB - Elements Of Accounts (part -I)
Chapter 1: Accounting and Its Technology
Vidhi Commerce Classes - CA Vidhi Jain
(Commerce Ki पाठशाला)

1) Meaning of Accounting

Accounting is the process of identifying, recording, classifying, summarising and interpreting financial transactions of a business.

In simple words:

Accounting = Recording + Summarising + Reporting financial activities.

Definition (American Institute of Certified Public Accountants — AICPA):

Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money transactions and events, and interpreting the results thereof.

2) Objectives of Accounting

Accounting is done to achieve the following goals:

1. To keep systematic records
→ Avoids confusion and loss of information
2. To ascertain profit or loss
→ Helps know business performance
3. To determine financial position
→ Shows assets, liabilities, capital
4. To provide information to users
→ Owners, investors, banks, government, etc.
5. To help in decision-making
→ Expansion, investment, cost control

3) Functions of Accounting

Accounting performs these major functions:

(A) Recording

All financial transactions are recorded in books of accounts.

(B) Classifying

Transactions are grouped into categories (Cash, Sales, Purchases, etc.).

(C) Summarising

Preparation of financial statements:

- Trading Account
- Profit & Loss Account
- Balance Sheet

(D) Interpreting

Analysis of results for decision-making.

(E) Communicating

Providing reports to users of accounting information.

4) Users of Accounting Information

Internal Users

- Owner / Proprietor
- Management
- Employees

External Users

- Investors / Shareholders
- Banks & Financial Institutions
- Government
- Creditors & Suppliers
- Customers
- Researchers

5) Accounting as an Information System

Accounting collects financial data and converts it into useful information.

Process:

Transaction → Recording → Processing → Reporting → Decision Making

6) Types / Branches of Accounting

1) Financial Accounting

- Records financial transactions
- Prepares final accounts
- For external users

2) Cost Accounting

- Determines cost of production
- Helps cost control
- Used in manufacturing industries

3) Management Accounting

- Provides information for management decisions
- Budgeting, forecasting, planning

7) Qualitative Characteristics of Accounting Information

Good accounting information should be:

1. Reliable — Accurate and trustworthy
2. Relevant — Useful for decisions
3. Understandable — Easy to interpret
4. Comparable — Can compare across years
5. Timely — Available when needed

8) Accounting Cycle

Steps followed in accounting process:

1. Identification of transactions
2. Recording in Journal
3. Posting to Ledger
4. Trial Balance preparation
5. Final Accounts
6. Financial Statements

9) Introduction to Accounting Technology

Modern accounting uses technology to perform accounting tasks quickly and accurately.

Meaning:

Use of computers, software and digital systems in accounting.

10) Advantages of Accounting Technology

1. Fast processing of data
2. High accuracy
3. Automatic calculations
4. Easy storage of records
5. Quick report generation
6. Data security
7. Reduces manual work

11) Limitations of Accounting Technology

- 1) Initial cost of software and hardware
- 2) Need for trained personnel
- 3) Risk of data loss (virus, hacking)
- 4) Dependence on electricity and systems

12) Common Accounting Software

Examples:

- Tally
- Busy
- Marg
- QuickBooks
- SAP

13) Features of Computerised Accounting System

- Automatic posting to ledger
- Real-time financial reports
- Inventory management
- Payroll processing
- GST compliance
- Backup facility

14) Manual vs Computerised Accounting

Basis	Manual Accounting	Computerised Accounting
Speed	Slow	Fast
Accuracy	Prone to errors	Highly accurate
Storage	Physical books	Digital
Cost	Low initial	Higher initial
Reports	Time-consuming	Instant

15) Role of Accountant in Modern Era

Today's accountant must:

- Understand accounting principles
- Use accounting software
- Interpret financial data
- Assist in business decisions
- Ensure legal compliance

16) Difference Between Bookkeeping and Accounting

Bookkeeping	Accounting
Recording transactions	Recording + Analysis
Clerical work	Analytical work
No interpretation	Interpretation included
Part of accounting	Complete process

17) Importance of Accounting

Accounting helps in:

- ✓ Measuring business performance
- ✓ Controlling expenses
- ✓ Planning future growth
- ✓ Securing loans
- ✓ Legal compliance
- ✓ Tax calculation

18. Accounting Terminology (Important Definitions)

These terms are very important for board exams:

1. Business Transaction

An economic activity that involves exchange of money and can be measured in money terms.

2. Assets

Property or resources owned by a business.

- Cash
- Machinery

- Building
- Furniture

3. Liabilities

Amounts payable by business to outsiders.

- Bank loan
- Creditors
- Outstanding expenses

4. Capital

Amount invested by owner in business.

5. Drawings

Amount withdrawn by owner for personal use.

6. Revenue

Income earned from business activities.

7. Expenses

Cost incurred to earn revenue.

19. Basic Accounting Concepts (Very Important for Exams)

These concepts are foundation of accounting:

1. Business Entity Concept

Business is separate from owner.

Example: Owner's personal expenses are not business expenses.

2. Money Measurement Concept

Only transactions measurable in money are recorded.

3. Going Concern Concept

Business will continue for long time.

4. Accounting Period Concept

Business life divided into periods (generally 1 year).

5. Cost Concept

Assets recorded at original purchase price.

6. Dual Aspect Concept

Every transaction has two aspects:

Debit = Credit

Example:

Purchased goods for cash

Goods ↑ (Debit)

Cash ↓ (Credit)

7. Matching Concept

Expenses must match related revenues of same period.

Accounting Standards (Basic Introduction)

Accounting Standards ensure:

- Uniformity
- Transparency
- Comparability

In India, accounting standards are issued by:

- ICAI (Institute of Chartered Accountants of India)

20. Advantages of Accounting to Different Users

For Owners:

- Know profit or loss
- Financial position

For Investors:

- Decide whether to invest

For Government:

- Tax calculation

For Banks:

- Loan approval

21. Limitations of Accounting

Even accounting has limitations:

1. Only monetary transactions recorded
2. Ignores qualitative factors
3. Historical cost basis
4. Can be manipulated
5. Based on personal judgement

22. Components of Computerised Accounting System

A computerised accounting system includes:

1. Hardware

- Computer
- Printer
- Scanner

2. Software

- Tally
- Busy
- SAP

3. Humanware

- Accountant
- Operator

4. Data

- Financial transactions

23. Types of Accounting Software

1. Ready-made Software

- Pre-developed

Example: Tally

2. Customized Software

- Designed as per business need

3. Tailor-made Software

- Fully developed for specific organization

24. Security Measures in Computerised Accounting

To protect financial data:

- Password protection
- Data backup
- Antivirus software
- Firewall
- User access control

25. Role of Information Technology in Accounting

IT helps in:

- ✓ E-filing of GST
- ✓ Online banking
- ✓ Digital payments
- ✓ Cloud accounting
- ✓ E-invoicing

26. Emerging Trends in Accounting Technology

Modern trends include:

- Cloud Accounting
- Artificial Intelligence
- Data Analytics
- Blockchain
- Automation

➤ Quick Revision Summary (Last Day Preparation)

Remember these keywords:

Accounting = Recording + Classifying + Summarising + Interpreting

Concepts =

Business Entity

Going Concern

Money Measurement

Cost Concept

Dual Aspect

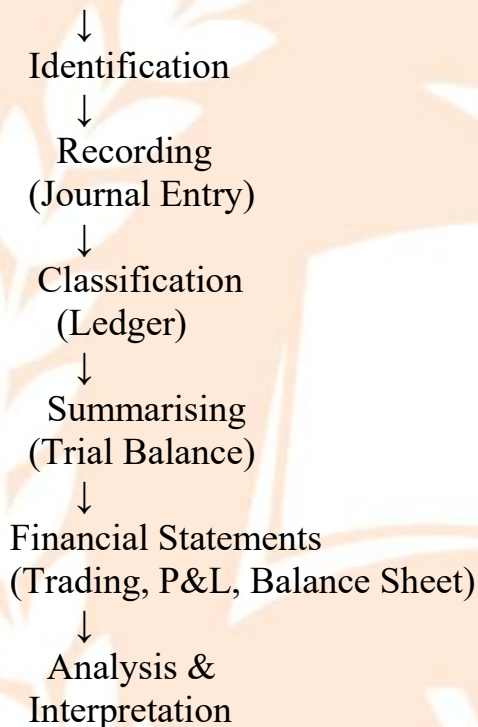
Technology =

Speed + Accuracy + Storage + Reports

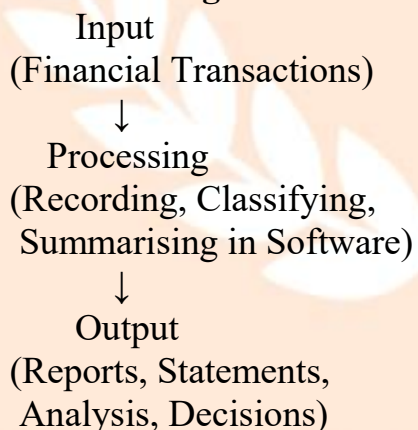
Flow Charts • Diagrams • Formulas

1. Accounting Process — Flow Chart

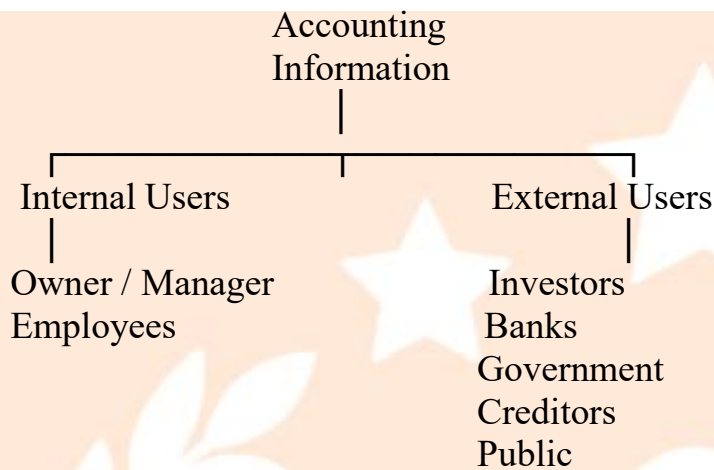
Business Transactions



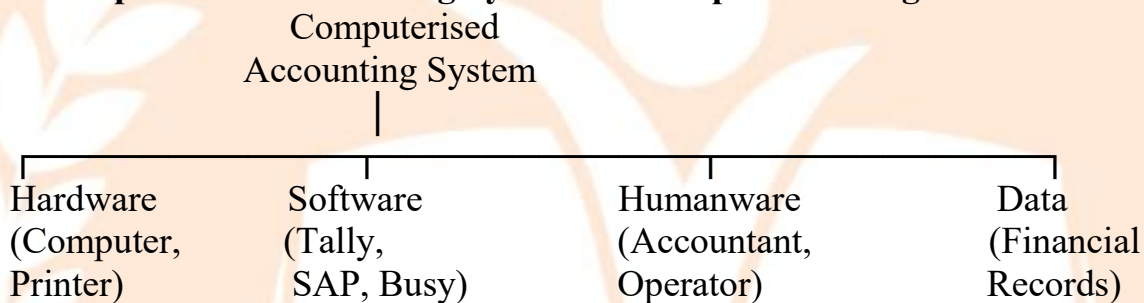
2. Accounting Information System (AIS) — Diagram



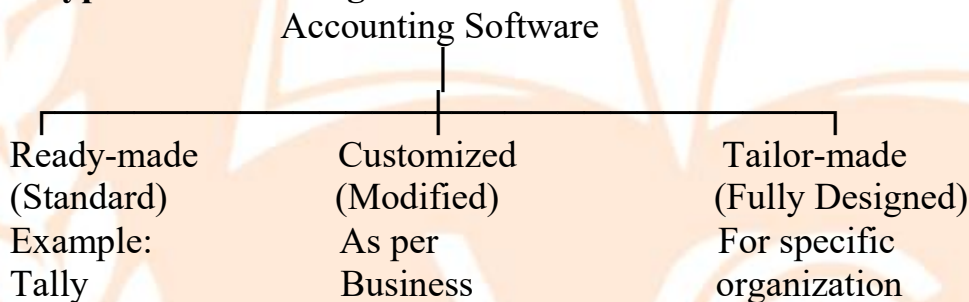
3. Users of Accounting Information — Flow Diagram



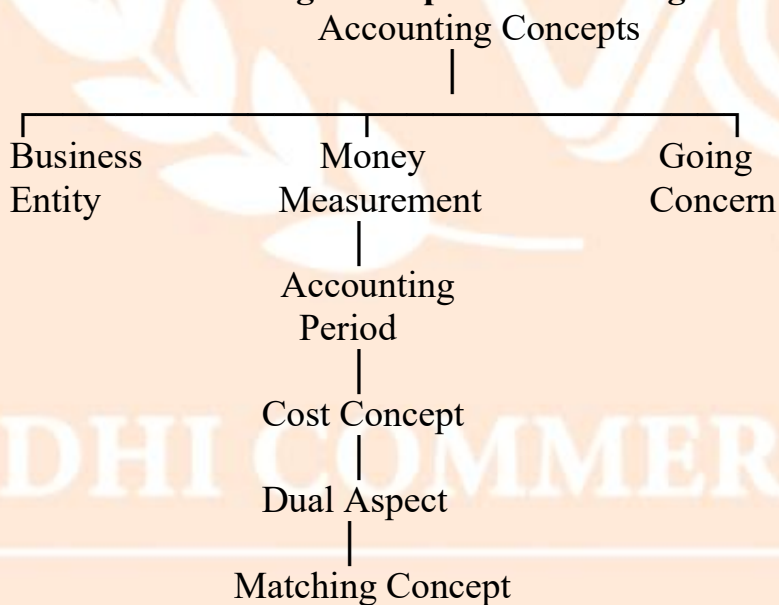
4. Computerised Accounting System — Components Diagram



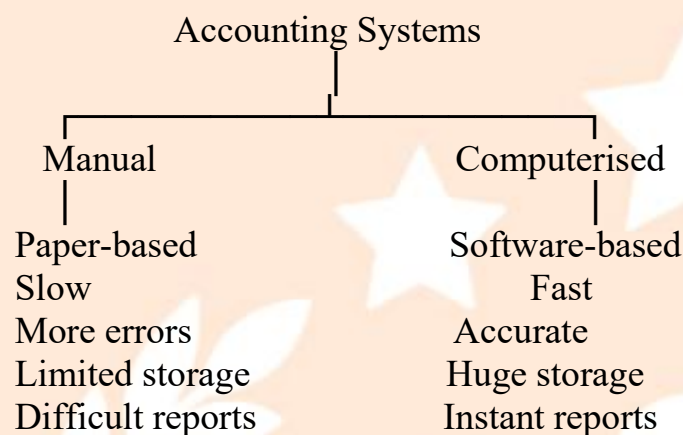
5. Types of Accounting Software — Chart



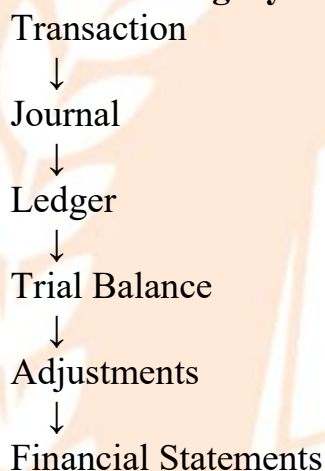
6. Basic Accounting Concepts — Tree Diagram



7. Manual vs Computerised Accounting — Comparison Diagram



8. Accounting Cycle — Flow Diagram



9. Important Accounting Formulas

★ Accounting Equation (Most Important)

Assets = Capital + Liabilities

Or

Capital = Assets – Liabilities

★ Capital Calculation

Closing Capital = Opening Capital
+ Additional Capital
+ Profit
– Drawings
– Loss

★ Profit Calculation

Profit = Income – Expenses

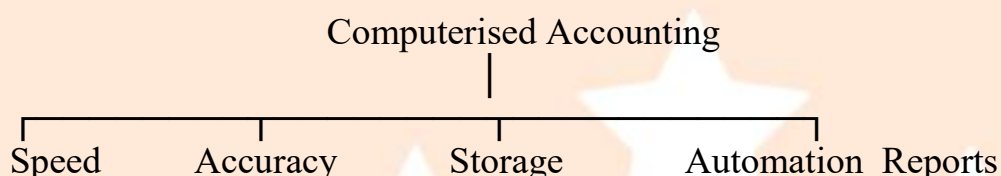
Or

Net Profit = Total Revenue – Total Expenses

★ Asset–Liability Relationship

Net Worth (Owner's Equity)
= Assets – External Liabilities

10 .Features of Computerised Accounting — Diagram



Numericals & Theory Questions with Answers

SECTION A — BIG NUMERICAL QUESTIONS

Numerical 1 — Accounting Equation (15 Marks)

Question:

From the following transactions of Mr. Rajesh, prepare the Accounting Equation:

Started business with cash ₹5,00,000

Purchased furniture ₹50,000

Purchased goods on credit ₹1,00,000

Purchased goods for cash ₹40,000

Paid salary ₹10,000

Received commission ₹20,000

Paid creditor ₹30,000

Solution:

Transaction	Assets	Liabilities	Capital
Started business	Cash +5,00,000	—	+5,00,000
Furniture purchased	Furniture +50,000Cash –50,000	—	—
Goods on credit	Stock +1,00,000	Creditors +1,00,000	—
Goods for cash	Stock +40,000Cash –40,000	—	—
Salary paid	Cash –10,000	—	–10,000
Commission received	Cash +20,000	—	+20,000
Paid creditor	Cash –30,000	–30,000	—

Final Position:

Assets:

- Cash = 3,90,000
- Furniture = 50,000
- Stock = 1,40,000

Total Assets = 5,80,000

Liabilities = 70,000

Capital = 5,10,000

✓ Accounting Equation Verified:

Assets (5,80,000) = Capital (5,10,000) + Liabilities (70,000)

Numerical 2 — Capital Calculation (12 Marks)

Question:

Opening Capital = ₹2,00,000

Additional Capital = ₹50,000

Drawings = ₹20,000

Profit = ₹80,000

Find Closing Capital.

Solution:

Closing Capital Formula:

Closing Capital = Opening Capital

Additional Capital

Profit

– Drawings

= 2,00,000

50,000

80,000

– 20,000

= ₹3,10,000

Numerical 3 — Effect of Transactions on Accounting Equation (15 Marks)

Question:

Show the effect of following transactions:

1. Started business with cash ₹3,00,000
2. Took loan from bank ₹1,00,000
3. Purchased machinery ₹1,50,000
4. Purchased goods on credit ₹80,000
5. Paid wages ₹20,000

Solution Summary:

Final Position:

Cash = 2,30,000

Machinery = 1,50,000

Stock = 80,000

Total Assets = 4,60,000

Liabilities:

Bank Loan = 1,00,000

Creditors = 80,000

Capital = 2,80,000

✓ Assets = Capital + Liabilities

4,60,000 = 2,80,000 + 1,80,000 ✓

SECTION B — BIG THEORY QUESTIONS

Q1. Explain Objectives and Functions of Accounting. (15 Marks)

✓ Answer:

Objectives of Accounting:

- 1) To maintain systematic records
- 2) To ascertain profit or loss
- 3) To determine financial position
- 4) To provide financial information
- 5) To assist management in decision-making

Functions of Accounting:

1. Recording
2. Classifying
3. Summarising
4. Interpreting
5. Communicating

Conclusion:

Accounting helps business in control, planning and growth.

Q2. Explain Advantages and Limitations of Computerised Accounting System. (15 Marks)

✓ Advantages:

- 1) High speed
- 2) Accuracy
- 3) Automatic posting
- 4) Easy storage
- 5) Quick report generation
- 6) GST compliance
- 7) Reduced paperwork

Limitations:

- 1) High initial cost
- 2) Technical knowledge required
- 3) Risk of data theft
- 4) System failure risk

Conclusion:

Despite limitations, computerised accounting is essential in modern business.

Q3. Explain Basic Accounting Concepts. (20 Marks)

✓ Answer:

1. Business Entity Concept
2. Money Measurement Concept
3. Going Concern Concept
4. Accounting Period Concept
5. Cost Concept
6. Dual Aspect Concept

7. Matching Concept

Q4. Explain Qualitative Characteristics of Accounting Information. (12–15 Marks)

- 1) Reliability
- 2) Relevance
- 3) Understandability
- 4) Comparability
- 5) Timeliness



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Vidhi Commerce Classes

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