

Class 11th
GSEB - Elements Of Accounts (Part-I)
Chapter 2: Accounting and Its Technology
Vidhi Commerce Classes - CA Vidhi Jain
(Commerce Ki पाठशाला)

1. Meaning of Dual Effect (Double Entry System)

Definition:

Every business transaction has two effects —

- One account is Debited
- Another account is Credited

This system is called the Double Entry System.

Basic Principle:

For every Debit, there must be an equal Credit.

2. Accounting Equation (Base of Dual Effect)

Basic Equation

Assets = Capital + Liabilities

Expanded Form

Assets = Capital + Liabilities + Income – Expenses – Drawings

➤ Meaning of Elements

Element	Meaning
Assets	What business owns
Liabilities	What business owes
Capital	Owner's investment
Income	Earnings of business
Expenses	Costs incurred
Drawings	Owner's withdrawals

3. Effect of Transactions on Accounting Equation

Every transaction changes at least two elements but equation remains balanced.

Example 1 — Capital Introduced

Owner brings ₹1,00,000 cash

Assets	Capital	Liabilities
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- Cash ₹1,00,000 | + Capital ₹1,00,000 | — |

Example 2 — Purchase Furniture for Cash

Furniture ₹20,000 purchased in cash

Assets	Capital	Liabilities
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- Furniture 20,000

– Cash 20,000 | No change | — |

Total assets remain same.

Example 3 — Goods Purchased on Credit

Goods ₹30,000 purchased from Ram

Assets	Capital	Liabilities
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- Stock 30,000 | — | + Creditors 30,000 |

4. Types of Accounts

All accounts are classified into **three main categories**:

- (1) Personal Accounts
- (2) Real Accounts
- (3) Nominal Accounts

5. Personal Accounts

Meaning

Accounts related to persons, firms, companies, institutions

Types of Personal Accounts

(a) Natural Personal Accounts

Real human beings

Examples:

- Ram A/c
- Sita A/c
- Mahesh A/c

(b) Artificial Personal Accounts

Organizations created by law

Examples:

- Bank A/c
- Company A/c
- School A/c

(c) Representative Personal Accounts

Represent group of persons

Examples:

- Outstanding Salary A/c
- Prepaid Rent A/c
- Interest Payable A/c

➤ Rule of Personal Account

- Debit the Receiver
- Credit the Giver

6. Real Accounts

Meaning

Accounts related to assets and properties

Assets can be seen or not seen.

Types of Real Accounts

(a) Tangible Real Accounts

Physical assets

Examples:

- Cash A/c
- Furniture A/c
- Building A/c
- Machinery A/c

(b) Intangible Real Accounts

Cannot be touched

Examples:

- Goodwill A/c
- Patent A/c
- Trademark A/c

➤ Rule of Real Account

- ✓ Debit what comes in
- ✓ Credit what goes out

7. Nominal Accounts

Meaning

Accounts related to expenses, losses, incomes, gains

These accounts are temporary and closed at year end.

Examples

Expenses / Losses:

- Salary A/c
- Rent A/c
- Electricity A/c
- Loss by Fire A/c

Income / Gains:

- Commission Received A/c
- Interest Received A/c
- Discount Received A/c
- Rule of Nominal Account
- ✓ Debit all expenses and losses
- ✓ Credit all incomes and gains

8. Summary of Golden Rules

Type of Account	Debit	Credit
Personal	Receiver	Giver
Real	Comes In	Goes Out
Nominal	Expenses/Losses	Income/Gains

9. Examples of Dual Effect (Journal Logic)

Transaction 1

Paid salary ₹5,000 in cash

Salary A/c → Debit (Expense)

Cash A/c → Credit (Asset goes out)

Transaction 2

Received commission ₹2,000

Cash A/c → Debit (Asset comes in)

Commission A/c → Credit (Income)

Transaction 3

Bought goods on credit from Mohan ₹10,000

Purchases A/c → Debit (Expense)

Mohan A/c → Credit (Personal – Giver)

➤ Importance of Dual Effect System

- ✓ Ensures accuracy of accounts
- ✓ Helps prepare financial statements
- ✓ Detects errors
- ✓ Maintains complete record
- ✓ Basis of modern accounting

10) Fundamental Accounting Equation (Base of Dual Effect)

Every transaction keeps the equation balanced:

Assets = Capital + Liabilities

Expanded form:

Assets = Capital + Liabilities + Revenues – Expenses – Drawings

- ✓ Effects on Equation

Transaction	Effect
Owner invested cash	Assets ↑, Capital ↑
Purchased goods on credit	Assets ↑, Liabilities ↑
Paid expenses	Assets ↓, Capital ↓
Earned income	Assets ↑, Capital ↑
Owner withdrew cash	Assets ↓, Capital ↓

11) Dual Aspect Principle (Golden Base)

Every transaction affects minimum two accounts

Total Debit = Total Credit (Always)

✓ Why Dual Effect Exists?

Because business records follow:

Give = Get

Benefit Received = Benefit Given

12) Types of Accounts — Quick Recognition Tips

➤ **Personal Accounts — “Person or Organisation”**

Includes:

- Individuals
- Firms
- Companies
- Banks
- Outstanding persons

Examples:

Ram A/c, SBI Bank A/c, Creditors A/c, Debtors A/c

Special Case: Representative Personal Accounts

Represent a group of persons

Examples:

- Outstanding Salary A/c → Employees
- Prepaid Insurance A/c → Insurance Company
- Rent Outstanding A/c → Landlord

➤ **Real Accounts — “Assets”**

✓ **Tangible Assets**

- Cash A/c
- Furniture A/c
- Building A/c
- Machinery A/c
- Stock A/c

✓ **Intangible Assets**

- Goodwill A/c

- Patent A/c
- Trademark A/c
- Copyright A/c

➤ **Nominal Accounts — “Income & Expenses”**

✓ **Expenses / Losses**

- Salary A/c
- Rent A/c
- Interest Paid A/c
- Commission Paid A/c

✓ **Income / Gains**

- Interest Received A/c
- Discount Received A/c
- Commission Received A/c
- Rent Received A/c

13) Golden Rules of Debit & Credit (Must Memorize)

Type	Debit	Credit
Personal	Receiver	Giver
Real	What comes in	What goes out
Nominal	Expenses & Losses	Income & Gains

14) Modern Approach (Accounting Equation Method)

Instead of rules, use:

Account Type	Increase	Decrease
Assets	Debit	Credit
Liabilities	Credit	Debit
Capital	Credit	Debit
Expenses	Debit	—
Income	Credit	—

14) Important Transaction Patterns (Exam Favorite)

✓ **Cash Purchase of Goods**

Goods A/c Dr
To Cash A/c

Assets change form (Goods ↑, Cash ↓)

✓ **Credit Purchase of Goods**

Goods A/c Dr
To Supplier / Creditor A/c

Assets ↑, Liabilities ↑ *commerce ki पाठशाला*

✓ **Payment to Creditor**

Creditor A/c Dr
 To Cash A/c

Liability ↓, Asset ↓

✓ Credit Sale

Debtor A/c Dr
 To Sales A/c

Asset ↑, Income ↑

✓ Cash Sale

Cash A/c Dr
 To Sales A/c

Asset ↑, Income ↑

15) Drawings vs Expenses (Important Difference)

Drawings	Expenses
Owner use of business money	Business cost
Reduces capital	Reduces profit
Personal in nature	Business in nature

16) Outstanding & Prepaid Items (Adjustment Concept)

✓ Outstanding Expense

Expense due but not paid

Entry:

Expense A/c Dr
 To Outstanding Expense A/c

✓ Prepaid Expense

Paid in advance

Prepaid Expense A/c Dr
 To Expense A/c

17) Debit & Credit — Common Confusion

✓ Debit does NOT mean loss

✓ Credit does NOT mean gain

Meaning depends on account type

18) Memory Trick (Very Useful)

P-R-N Rule

P → Personal

R → Real

N → Nominal

Or

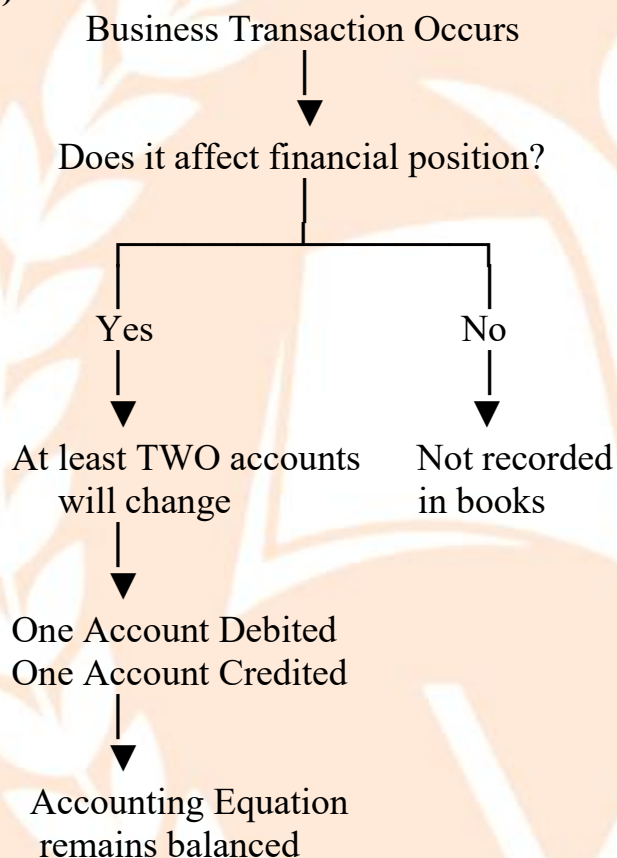
“People, Resources, Nominal”

19) Steps to Solve Journal Questions

1. Identify accounts involved
2. Classify each account type
3. Apply golden rule
4. Decide Debit & Credit
5. Write journal entry

Flowcharts, Diagrams & Formulas

1) Dual Effect of Transaction — Flowchart



2) Accounting Equation Diagram

ASSETS = CAPITAL + LIABILITIES

(What business owns) (Owner's claim) (Outside claim)

Example:

Cash ↑ → Capital ↑

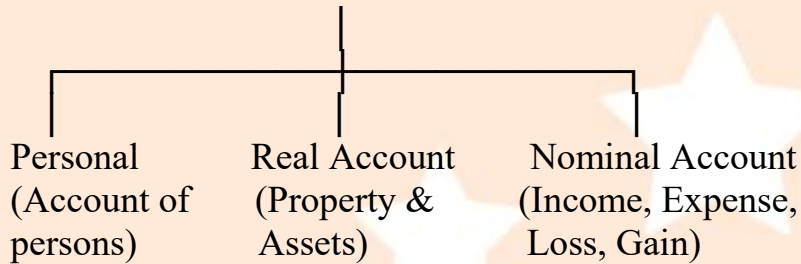
Loan ↑ → Cash ↑

Purchase of goods ↓ Cash, ↑ Stock

3) Types of Accounts — Classification Tree

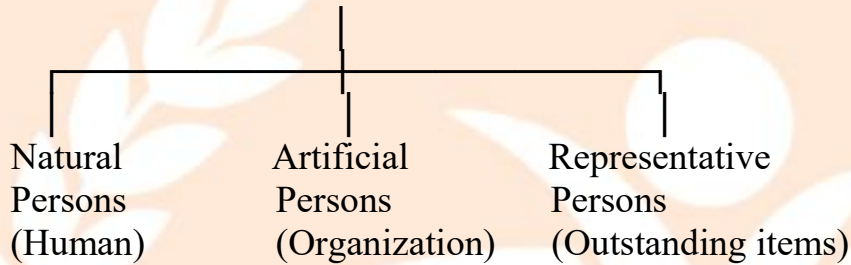
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ACCOUNTS



4) Personal Account — Sub-Types

PERSONAL ACCOUNT



Examples:

Ramesh A/c Bank A/c Salary Outstanding A/c

5) Real Account — Types

REAL ACCOUNT



Examples:

Building A/c Goodwill A/c
Furniture A/c Patent A/c
Cash A/c Trademark A/c

6) Nominal Account — Structure

NOMINAL ACCOUNT



Examples:

Salary A/c Commission Received A/c
Rent A/c Interest Received A/c
Discount Allowed A/c Profit A/c

7) Golden Rules — Formula Style Summary

● Personal Account

Debit → Receiver

Credit → Giver

- **Real Account**

Debit → What comes in

Credit → What goes out

- **Nominal Account**

Debit → Expense / Loss

Credit → Income / Gain

8) Steps to Apply Dual Effect (Problem-Solving Flow)

1. Identify Transaction
2. Identify Accounts Involved
3. Classify Accounts
4. Apply Golden Rule
5. Decide Debit & Credit
6. Check Equation Balance

9) Quick Memory Diagram (All in One)

Transaction



Two Accounts Affected



Classify Accounts



Apply Golden Rule



Debit & Credit Entry



Accounting Equation Balanced

10) Ultra-Short Revision Formulas

- ✓ Every transaction → Minimum 2 accounts
- ✓ Debit Total = Credit Total
- ✓ Assets ↑ → Debit
- ✓ Liabilities ↑ → Credit
- ✓ Capital ↑ → Credit
- ✓ Expenses → Debit
- ✓ Income → Credit

10 Numericals with Solutions

1) Capital Introduction & Purchases

Q1. Ram started business with ₹5,00,000 cash. Purchased furniture ₹80,000. Purchased goods ₹1,20,000 (cash ₹70,000 and credit from Mohan ₹50,000).

Solution:

Particular	Debit (₹)	Credit (₹)
Cash A/c	5,00,000	
To Capital A/c		5,00,000
Furniture A/c	80,000	
To Cash A/c		80,000
Purchases A/c	1,20,000	
To Cash A/c		70,000
To Mohan A/c		50,000

2) Purchase, Sales & Expenses

Q2. Purchased goods ₹2,00,000 (cash). Sold goods ₹1,50,000 (credit to Suresh). Paid salary ₹20,000.

Solution:

Particular	Debit	Credit
Purchases A/c	2,00,000	
To Cash A/c		2,00,000
Suresh A/c	1,50,000	
To Sales A/c		1,50,000
Salary A/c	20,000	
To Cash A/c		20,000

3) Bank Transactions

Q3. Deposited ₹1,00,000 into bank. Issued cheque ₹40,000 for rent.

Solution:

Particular	Debit	Credit
Bank A/c	1,00,000	
To Cash A/c		1,00,000
Rent A/c	40,000	
To Bank A/c		40,000

4) Creditors & Debtors Settlement

Q4. Paid Mohan ₹45,000 in full settlement of ₹50,000. Received ₹28,000 from Ramesh against ₹30,000.

Solution:

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Particular	Debit	Credit
Mohan A/c	50,000	
To Cash A/c		45,000
To Discount Received A/c		5,000
Cash A/c	28,000	
Discount Allowed A/c	2,000	
To Ramesh A/c		30,000

5) Loan & Interest

Q5. Took loan from bank ₹3,00,000. Paid interest ₹15,000.

Solution:

Particular	Debit	Credit
Cash A/c	3,00,000	
To Bank Loan A/c		3,00,000
Interest A/c	15,000	
To Cash A/c		15,000

6) Drawing & Capital Adjustment

Q6. Owner withdrew ₹25,000 for personal use.

Solution:

Particular	Debit	Credit
Drawing A/c	25,000	
To Cash A/c		25,000

7) Combined Adjustment Problem

Q7. Started with ₹10,00,000. Purchased building ₹4,00,000. Bought goods ₹3,00,000 (₹1,00,000 cash, ₹2,00,000 credit). Sold goods ₹2,50,000 (₹1,50,000 cash).

Solution :

Particular	Debit	Credit
Cash A/c	10,00,000	
To Capital A/c		10,00,000
Building A/c	4,00,000	
To Cash A/c		4,00,000
Purchases A/c	3,00,000	
To Cash A/c		1,00,000
To Creditors A/c		2,00,000
Cash A/c	1,50,000	
Debtors A/c	1,00,000	

Particular	Debit	Credit
To Sales A/c		2,50,000

8) Expenses Outstanding

Q8. Salary paid ₹50,000. ₹5,000 outstanding.

Solution:

Particular	Debit	Credit
Salary A/c	55,000	
To Cash A/c		50,000
To Outstanding Salary A/c		5,000

9) Prepaid Expense

Q9. Paid insurance ₹24,000 for 12 months. 3 months prepaid.

Solution:

Prepaid = $24,000 \times 3/12 = ₹6,000$

Particular	Debit	Credit
Insurance A/c	18,000	
Prepaid Insurance A/c	6,000	
To Cash A/c		24,000

10) Full Big Mixed Problem

Q10.

Capital ₹8,00,000

Bought furniture ₹1,00,000

Purchased goods ₹2,50,000 (credit)

Sold goods ₹3,00,000 (cash)

Paid rent ₹30,000

Received commission ₹20,000

Solution:

Particular	Debit	Credit
Cash A/c	8,00,000	
To Capital A/c		8,00,000
Furniture A/c	1,00,000	
To Cash A/c		1,00,000
Purchases A/c	2,50,000	
To Creditors A/c		2,50,000
Cash A/c	3,00,000	
To Sales A/c		3,00,000
Rent A/c	30,000	

Particular	Debit	Credit
To Cash A/c		30,000
Cash A/c	20,000	
To Commission A/c		20,000

Theory Questions with Answers

1. Explain the concept of Dual Effect of Transactions. (6 Marks)

Answer:

The dual effect principle states that every business transaction affects at least two accounts in such a way that the accounting equation remains balanced.

Accounting Equation:

Assets = Capital + Liabilities

If one account is debited, another account must be credited.

Example:

- Owner invested ₹50,000 in business.

- ✓ Cash A/c (Asset) → Increase

- ✓ Capital A/c → Increase

Thus, one transaction has two effects.

Conclusion:

This principle forms the foundation of the double entry system.

2. What is Double Entry System? Explain its advantages. (8 Marks)

Answer:

Double Entry System is a system of accounting where every transaction is recorded in two accounts, one debit and one credit.

Features:

- Based on dual aspect principle
- Debit amount = Credit amount
- Complete and systematic recording

Advantages:

1. Accuracy in accounts
2. Helps in preparation of Trial Balance
3. Detects errors
4. Shows true financial position
5. Reduces fraud

3. Explain Accounting Equation with suitable examples. (8 Marks)

Answer:

Accounting Equation is:

Assets = Capital + Liabilities

It shows that total assets of business are financed by owner and outsiders.

Example 1:

Started business with ₹1,00,000

Assets (Cash) = ₹1,00,000

Capital = ₹1,00,000

Example 2:

Purchased goods worth ₹20,000 on credit

Assets (Stock) ↑ ₹20,000

Liability (Creditor) ↑ ₹20,000

Thus equation remains balanced.

4. Classify Accounts with detailed explanation and examples. (8 Marks)

Accounts are classified into three types:

1. Personal Account

Related to persons and organizations.

Types:

- Natural Person → Ramesh A/c
- Artificial Person → Bank A/c
- Representative Person → Outstanding Salary A/c

2. Real Account

Related to property and assets.

Types:

- Tangible → Furniture A/c
- Intangible → Goodwill A/c

3. Nominal Account

Related to income, expenses, losses and gains.

Examples:

- Salary A/c
- Rent A/c
- Interest Received A/c

5. Explain Personal Account and its Golden Rule. (6 Marks)

Answer:

Personal Account relates to individuals or organizations.

Golden Rule:

- ✓ Debit the Receiver
- ✓ Credit the Giver

Example:

Paid ₹10,000 to Ramesh

Ramesh is receiver → Debit

Cash goes out → Credit

6. Explain Real Account and its Golden Rule. (6 Marks)

Real Accounts relate to assets and properties.

Golden Rule:

Debit what comes in

Credit what goes out

Example:

Purchased furniture ₹15,000

Furniture comes in → Debit

Cash goes out → Credit

7. Explain Nominal Account and its Golden Rule. (6 Marks)

Nominal Accounts record income and expenses.

Golden Rule:

✓ Debit all expenses and losses

✓ Credit all incomes and gains

Example:

Paid rent ₹5,000

Rent is expense → Debit

Cash goes out → Credit

8. What is the importance of Dual Aspect Principle in accounting? (6 Marks)

Answer:

Importance:

1. Maintains equality of equation
2. Basis of double entry system
3. Ensures complete recording
4. Prevents mistakes
5. Helps in financial statement preparation

Without dual aspect, accounting system cannot work properly.

9. Differentiate between Real, Personal and Nominal Accounts. (8 Marks)

Basis	Personal	Real	Nominal
Meaning	Related to persons	Related to assets	Related to income & expenses
Nature	Individual/organization	Property	Expense/Gain
Rule	Debit receiver	Debit what comes in	Debit expenses
Example	Bank A/c	Furniture A/c	Salary A/c

10.Explain the effect of transactions on Accounting Equation. (8 Marks)

Every transaction affects equation in one of the following ways:

1. Increase in Assets and Increase in Capital
2. Increase in Asset and Increase in Liability
3. Decrease in Asset and Decrease in Asset
4. Decrease in Liability and Decrease in Asset

Example:

Loan taken ₹50,000

Cash ↑ ₹50,000

Loan (Liability) ↑ ₹50,000

Equation remains balanced.



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