ONE PAGE SUMMARY

Academic Education GSEB › Class 11 Commerce › Accountancy

Introduction to Accounting

Understanding the Basics of Accounting for Class 11 Commerce

DEFINITION

> Accounting is the systematic process of recording, classifying, and summarizing financial transactions. It helps businesses track their financial performance and make informed decisions.

KEY CONCEPTS

Financial Transactions

These are any activities that involve the exchange of money or value.

Double Entry System

This method requires that every transaction affects at least two accounts, ensuring balance.

Accounting Equation

Assets = Liabilities + Equity; this fundamental equation shows the relationship between a company's resources and its obligations.

Debits and Credits

Debits increase asset or expense accounts, while credits increase liability, equity, or revenue accounts.

Financial Statements

These are reports that summarize the financial status of a business, including the balance sheet and income statement.

EXAMPLES

→ A company sells products for cash, recording a revenue transaction.

→ A business purchases office supplies on credit, affecting both assets and liabilities.

→ An owner invests personal savings into the business, increasing equity.

MEMORY TIPS

★ Remember 'DEAL' for Debits increase Expenses, Assets, and Losses.

★ Think of 'CREEP' for Credits increase Revenues, Equity, and Profits.

★ Visualize the accounting equation as a balanced scale to remember its equality.

COMMON MISTAKES

✗ Confusing debits and credits, leading to incorrect account balances.

✗ Neglecting to record transactions promptly, resulting in incomplete financial records.

✗ Failing to understand the impact of transactions on the accounting equation.

QUICK RECAP

Accounting is essential for tracking financial transactions and making decisions. Key concepts include the double entry system, accounting equation, and financial statements. Mastering these basics lays the foundation for advanced accounting topics.