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Academic Education GSEB › Class 11 Commerce › Accountancy

Introduction to Accounting

Master the Basics of Accounting for Success in Commerce!

DEFINITION

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

KEY CONCEPTS

Financial Transactions

These are economic events that affect the financial position of a business and can be measured in monetary terms.

Double-Entry System

This accounting method requires that every transaction affects at least two accounts, ensuring the accounting equation remains balanced.

Accounting Equation

The fundamental equation is Assets = Liabilities + Equity, which shows the relationship between what a business owns and owes.

Journals and Ledgers

Journals record transactions chronologically, while ledgers categorize them by account, helping to organize financial data.

Financial Statements

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

EXAMPLES

→ A company sells products worth $1,000 cash.

→ A business takes a loan of $5,000 from a bank.

→ An owner invests $2,000 into the business.

MEMORY TIPS

★ Remember the accounting equation with 'ALE' - Assets, Liabilities, Equity.

★ Use 'D-E' to recall Double-Entry: Every entry has a debit and a credit.

★ Think of 'J-L' for Journals and Ledgers: Journals are for recording, Ledgers are for organizing.

COMMON MISTAKES

✗ Confusing assets with liabilities.

✗ Neglecting to record transactions in both debit and credit.

✗ Failing to balance the accounting equation.

QUICK RECAP

Accounting is essential for tracking financial activities and ensuring accurate reporting. Understanding key concepts like the double-entry system and financial statements is crucial for mastering this subject.