

SECTION - 3

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Q. 20. (a)

— Trial Balance :- Trial balance is a statement which accounts all the balances of the personal account, Real account and nominal account, regardless of either Revenue or Capital A/c. It comprises of 2 column viz., debit and credit. If the transactions are documented systematically by providing dual-sided effects and later posted methodically, then the sum totals of both columns would be similar.

— Blank Balance Sheet :- Balance sheet is a statement which shows the liabilities, assets and Shareholders equity of enterprise. This statement comprises of 2 major group is which it is categorised, namely, assets which is classified into - non current Assets and current assets which are such types of assets with the assistance of which the enterprise operates the enterprise.

b. Double entry, a fundamental concept underlying present day bookkeeping and accounting, states that every financial transaction has equal and opposite effects in at least two different accounts. It is used to satisfy the accounting equation,

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Characteristics:-

- Two parties:- Every transaction involves two parties - debit and credit
- Giver and receiver:- Every transaction must have one giver and one receiver
- Exchange of equal amount:- The amount of money of transaction the party gives is equal to the amount the party receives.
- Separate entity:- Under this system business is treated as a separate entity from the owner. Here the business is considered as a separate entity.

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- Dual aspects :- Every transaction is divided into two aspects the left side of transaction is debit and right side is credit.
- Results :- Under double entry system totality of debits is equal to the totality of credit. In it ascertainment of the result is easy.
- Complete accounting system :- Double entry system is a scientific and complete accounting system.

Merits and of double entry system

- ① Systematic and scientific method
- ② Complete system of Accounting
- ③ Suitable for large companies
- ④ Ensure arithmetical accuracy
- ⑤ To obtain profit or loss
- ⑥ To know the financial position
- ⑦ Helps Decision Making
- ⑧ Comparison of Results.

Demerits of double entry system.

- ① Complex system
- ② Time and cost consuming.
- ③ Unsuitable for small firms.

The double entry system of accounting can be broadly divided into following three stages.

- Original records (journal or subdivision of journal)
- Classification (ledger account)
- Summary (final account)