

Section-3

Ans 2 (i) 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 columns viz, debit and credit. If the transactions are documented systematically by providing dual-sided effect and later posted methodically, then the sum total of both the columns would be similar.

Balance Sheet: A balance sheet is a statement which shows the liabilities, assets and shareholder's equity of the enterprise. This statement comprises of 2 major parts in which it is categorized, namely, assets, which is classified into non-current assets and current assets. Current assets are such assets which are easily transferred into cash. On the other hand, the Non-current assets are such types of assets with the assurance of which the enterprise operates the enterprise.

Page No.
 Date
 20 Double entry system. The most scientific and reliable method of accounting is the Double Entry system. One must have a clear conception of the nature of the transaction to understand the double-entry system.

Characteristics:-

- 1 Every business transaction affects two or more accounts
- 2 Every account is divided into two parts
- 3 Division of amount column as debit and credit.
- 4 Dual aspect of every transaction.
- 5 Based upon accounting concepts and basic - ans. Two Parts
- Preparing trial balance
- Preparation of final account.

Merits:

- 1 Complete record of every transaction
- 2 Reliable information at a glance.
- 3 Scrutiny and verification of information
- 4 Knowledge of gross Profit or loss.
- 5 Knowledge of net Profit or loss
- 6 Knowledge of assets and liabilities of the business
- 7 Comparative studies
- 8 Detection of fraud

Merits =

- 1 Errors of omission
- 2 Errors of Principles
- 3 Compensating errors.

Three stages of Double entry system

- 1 original records (journal or subdivision of journal)
- 2 classification (ledger accounts)
- 3 summary (final accounts)