



[Frequently Asked Questions]

Accounting Process

Subject:	Business Economics
Course:	B. A. (Hons.), 1st Semester, Undergraduate
Paper No. & Title:	Paper – 103 Fundamentals of Business And Accounting
Unit No. & Title:	Unit – 2 Fundamentals of Business And Accounting
Lecture No. & Title:	Lecture – 2 Accounting Process

Frequently Asked Questions

Q1. What is Accounting Process?

A1. The accounting process starts with identifying accounting transactions, recording it in journal, classifying in ledgers, making of trial balance, adjusting the trial balance and then preparation of final accounts.

Q2. What is Personal Accounts? What is its rules of debit and credit?

A2. Personal Account are the accounts of the persons with whom the organisation deals in various capacities.

For example: Capital Account , Account of the customers, Account of suppliers, Accounts of organizations like company, firm, bank, government authorities etc.

For personal accounts rules of debit credit are:

Debit the receiver, Credit the giver

Q3. What is Real Accounts? What is its rules of debit and credit?

A3. Real Account are the accounts of assets and liabilities

For example:

- Tangible assets like Land and Building
- Plant and machinery
- Vehicles
- Furniture fixtures and fittings
- Cash on hand
- Stock on hand
- Intangible assets like goodwill, patent, trademark, copy right

- For Real accounts rules of debit credit are:

Debit what comes in, Credit what goes out

Q4. What is Nominal Accounts? What are its rules of debit and credit?

A4. Nominal Accounts are the accounts of incomes and expenses.

For example:

- Salary Account
- Commission Account
- Printing and Stationery Account
- Insurance Premium Account
- Telephone Expenses Account
- Interest Paid and Interest Received Account
- Commission Paid and Received

Rules of debit and credit for nominal accounts are:

Debit all expenses and losses, Credit all incomes and gains.

Q5. What are modern rules of debit and credit?

A5. Modern rules of accounting are:

Sr.No.	Types of Account	Account to be Debited	Account to be Credited
1.	Assets account	Increase	Decrease
2.	Liabilities account	Decrease	Increase
3.	Capital account	Decrease	Increase
4.	Revenue account	Decrease	Increase
5.	Expenditure account	Increase	Decrease
6.	Withdrawal account	Increase	Decrease

Q6. What is “Journalizing” and “Journal Entry”?

A6. The process of recording a transaction in the journal as per rules of debit and credit is called ‘journalizing’. The entries made in the journal are called ‘journal entries’.

Q7. What is ledger?

A7. Ledger is the book which contains all accounts affected by various transactions in a business. All the accounts are classified and summarized in a ledger whether they are personal, real or nominal accounts. It is permanent, ultimate and up-to-date record of all transactions which are easy to refer. It has two sides Debit and Credit side also known as ‘T’ form of account.

Q8. What is Trial Balance?

A8. Trial balance is the summary of all the accounts which are carried forward to the next period by closing accounts prepared in ledger from journal entries.

Q9. Trial balance is a statement or an account? Why it is prepared?

A9. Trial balance is a statement of debit and credit closing balances of assets, liabilities, incomes and expenses carried from ledger accounts at the end of an accounting period. It is prepared to check arithmetical accuracy of accounts prepared as well as it forms a base for preparing final accounts i.e. Trading and Profit and Loss account and Balance Sheet.

Q10. Which transactions are recorded in journal?

A10. Economic transactions which generate an asset or a liability or an income or an expense in the business are recorded in

journal. Qualitative and non-monetary transactions are not recorded in books of accounts.