

Class 11th | Accountancy



Meaning And Objectives Of Accounting

LECTURE - 5

BASES OF ACCOUNTING

Cash Basis

Transactions are recorded in the books of account on cash being received or paid.



Accrual Basis

Transaction is recorded in the books of account when entered, whether cash is received/paid or not.



BASES OF ACCOUNTING

Cash Basis

Transactions are recorded in the books of account on cash being received or paid.



Income
Cash received
Expense
Cash paid

Accrual Basis

Transaction is recorded in the books of account when entered, whether cash is received/paid or not.





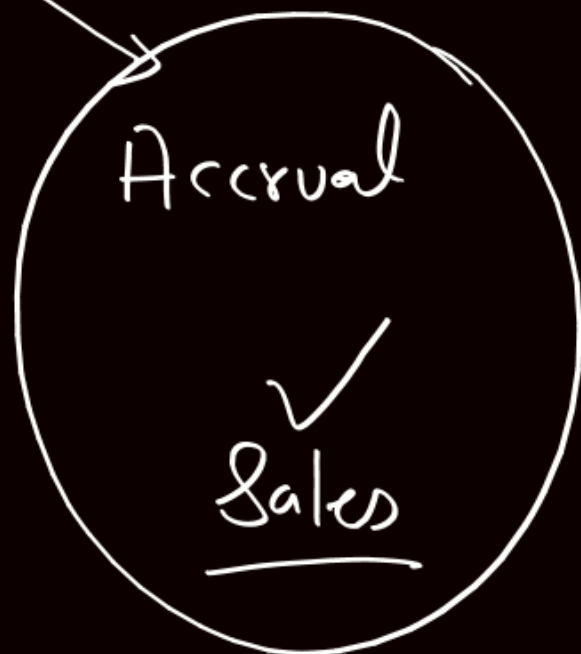
Sales
[T.V.]



1 month later

Cash

X



Credit X

₹ 7



Cash basis

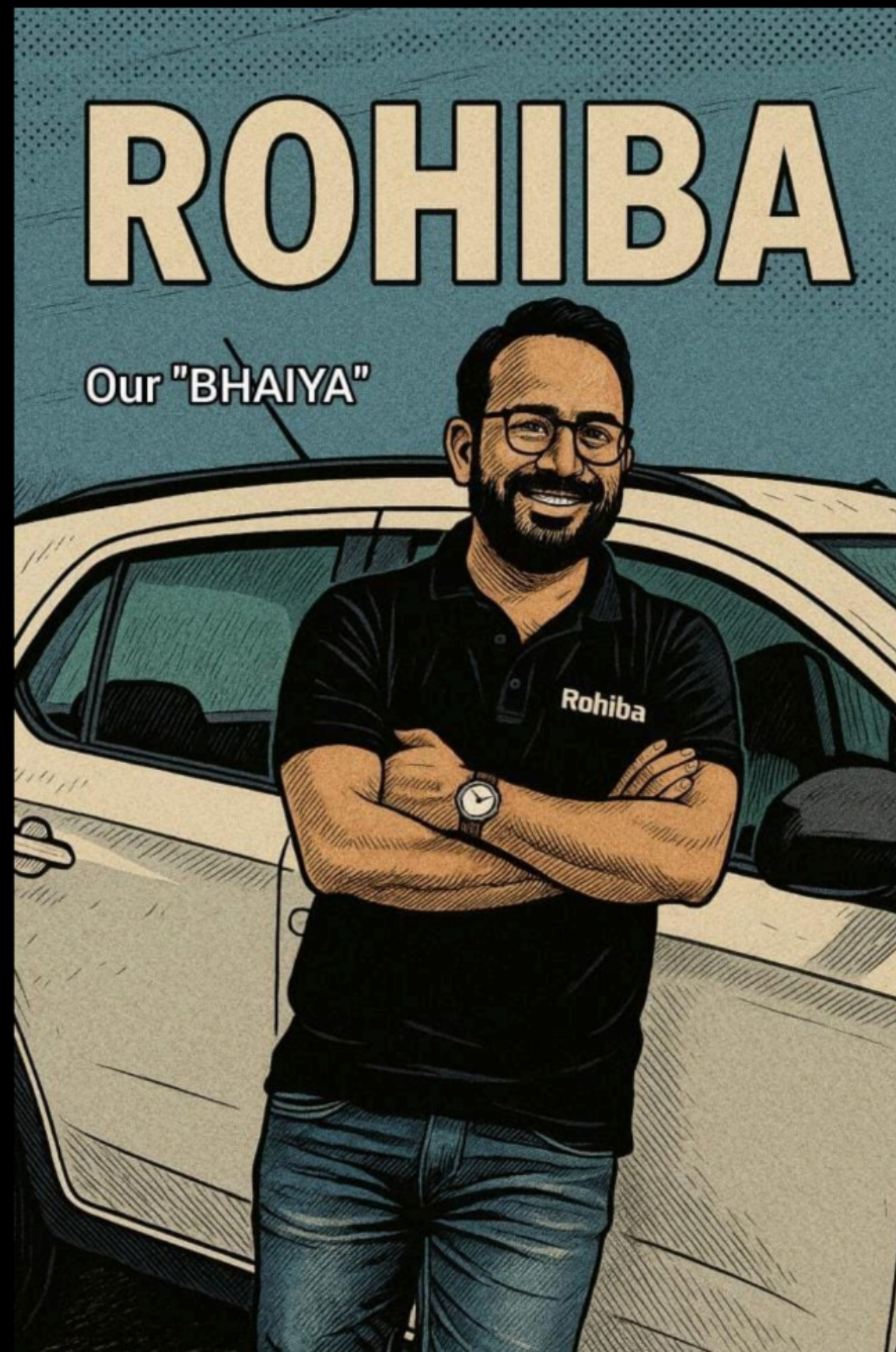
Record X



Commerce (Accounts By Rohit Sir)

Bye Bye Its All For Today

Our Baby Sir



Designed By - Ishita Rastogi

CASH BASIS OF ACCOUNTING

Transactions are recorded in the books of account on cash being **received** or **paid**.

- Revenue is recognised on receipt of cash.
- Expenses are recorded when they have been paid.
- The difference between the total incomes and total expenses represents **Profit** or **Loss** of a business for the accounting period.

$$\star \text{ Profit} = \text{Total Income} - \text{Total Expense}$$

₹10

₹

15000

ROHIT
K
TAPRI

Profit?

Income → Cash receive

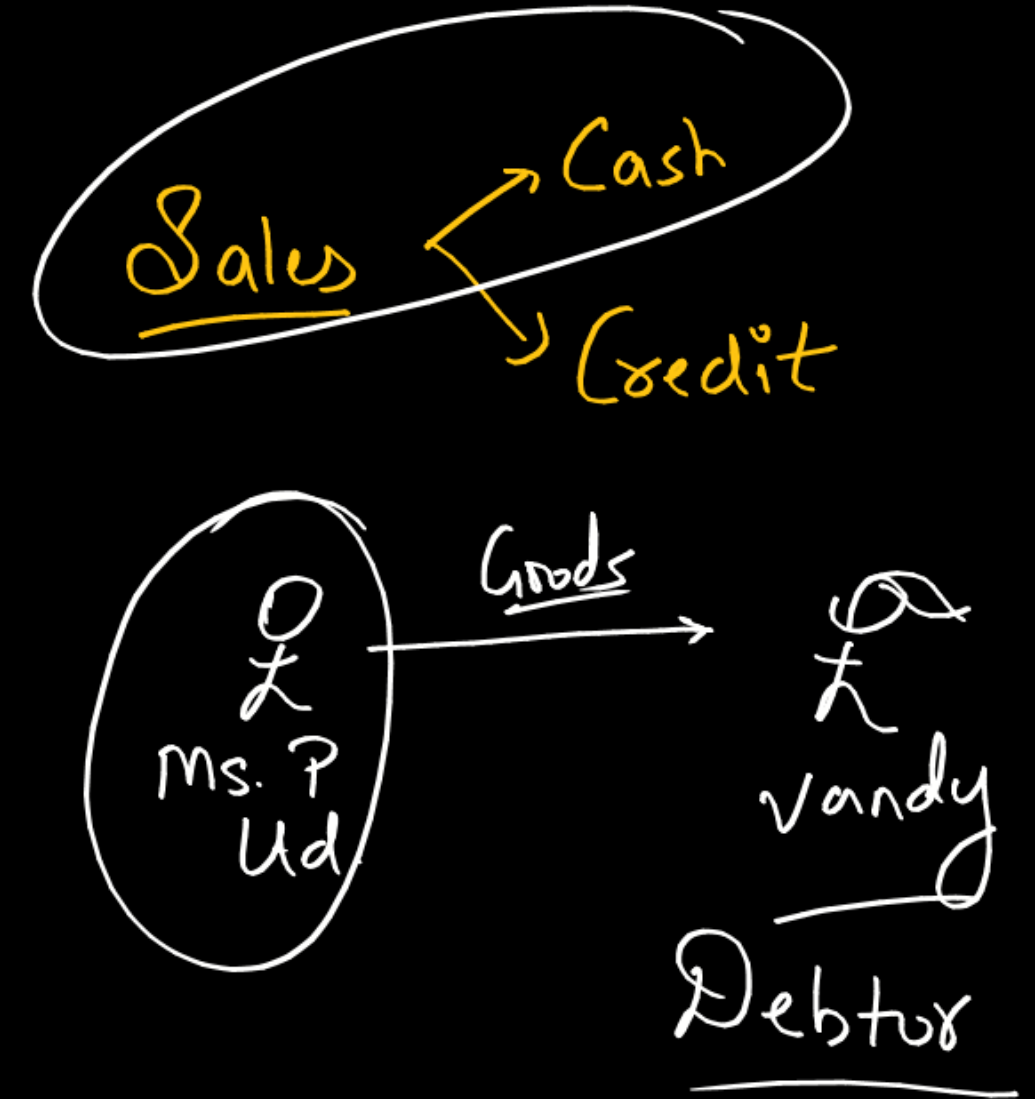
Expense → Cash paid

{
→ 1000
→ 3000
→ 2000
}

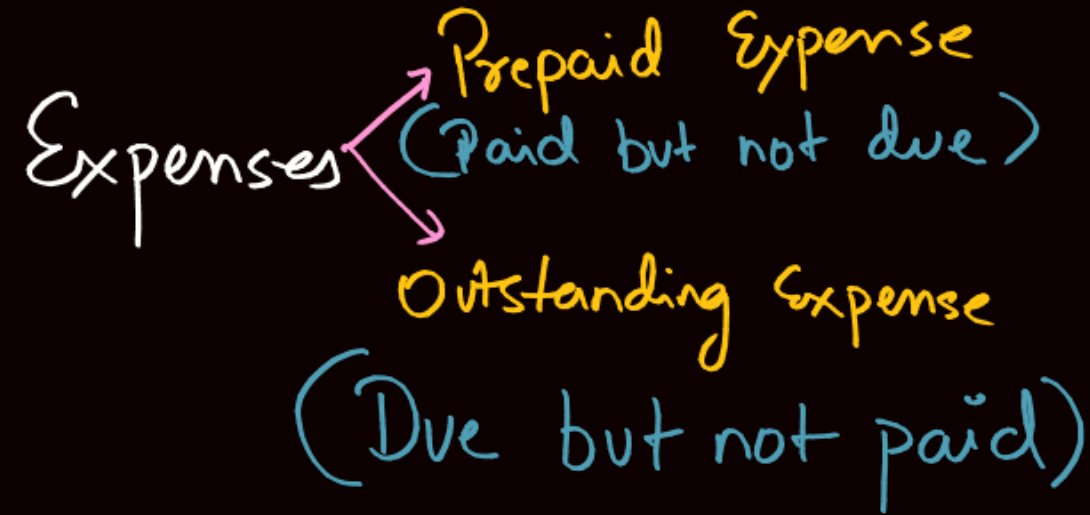
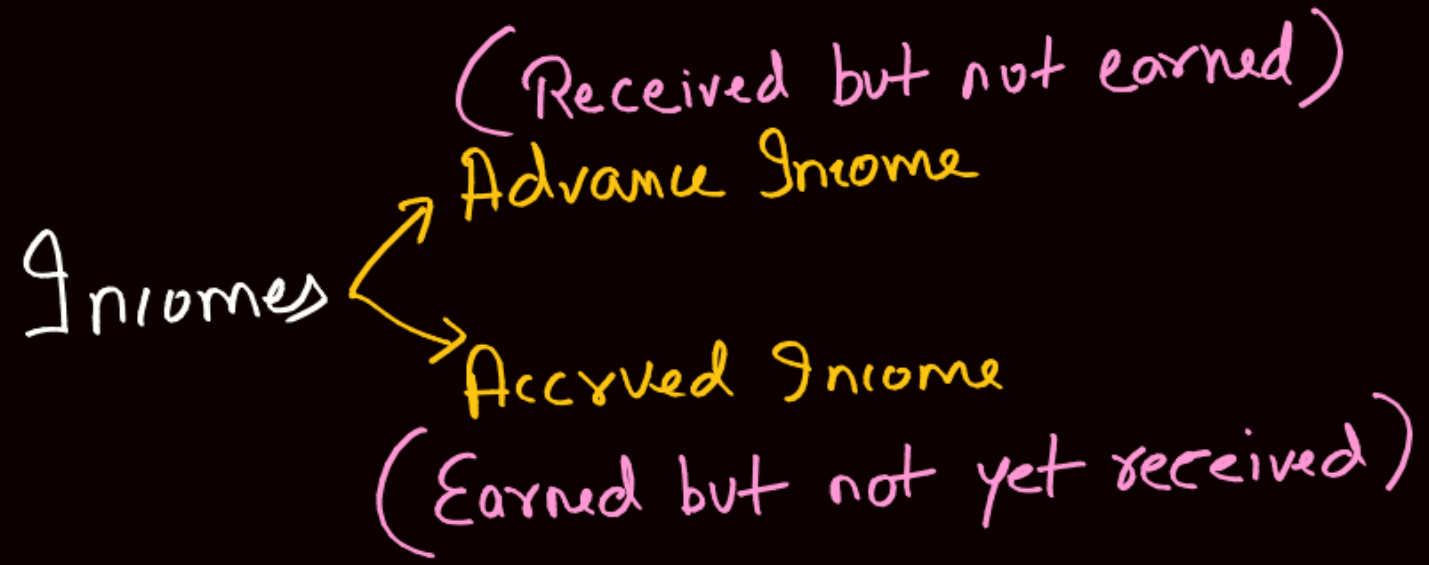
ACCRUAL BASIS OF ACCOUNTING

Transaction is recorded in the books of account when entered, whether cash is received/paid or not.

- Accounting income is recorded as income when it is **earned** or **accrued**.
- If an expense has been incurred but payment has not been made, it will be recorded as an expense.
- Accrual Basis of Accounting is based on **Revenue Recognition Principle** and **Matching Principle**. Thus, under the Accrual Basis of Accounting, outstanding and prepaid expenses are adjusted. Similarly, accrued income and income received in advance are recognised for ascertaining correct profit or loss for the accounting period.



✳



Concept

Next topper exp

1 April - 30 April

Salary \Rightarrow 1 May

① 5 April

Advance Income

\rightarrow Prepaid Expense

② 1 May

\rightarrow Salary
 \rightarrow Income

\rightarrow Expense

③ 10 May not recd.

\rightarrow Accrued Income

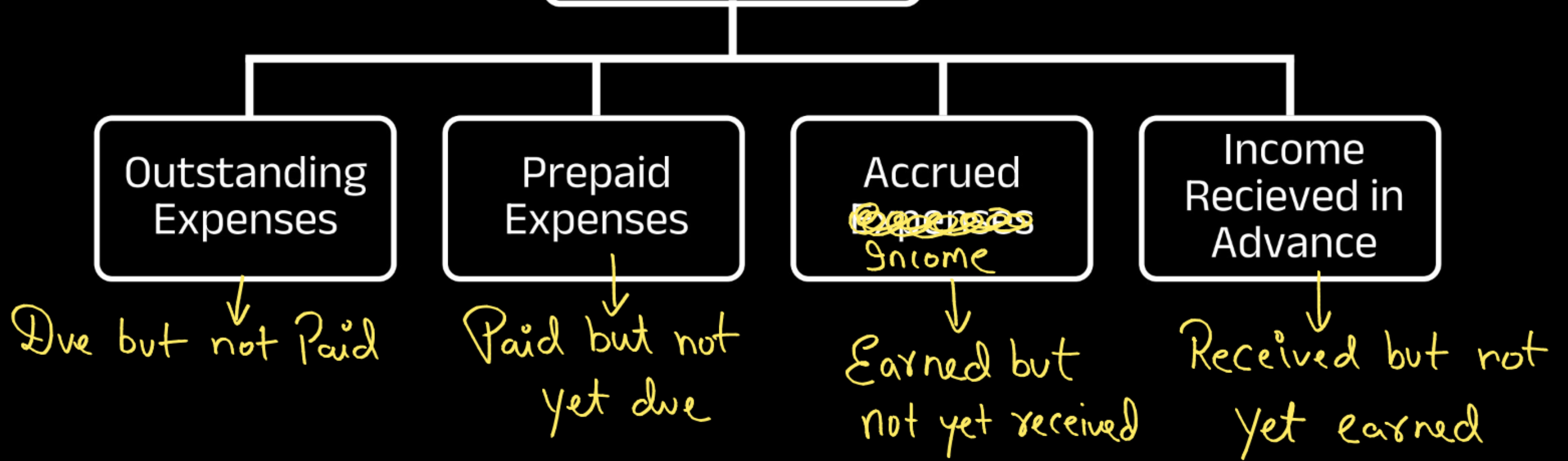
\rightarrow outstanding Expense

- Recharge → Prepaid | Jio → Advance income
- Elec. Bill → Outstanding | MP&B → Accrued Income
- Next toppers Praxambh batch Price → Prepaid | NT → Advance income
- Salary due but not paid → outstanding salary
- Commission paid but not due → Prepaid Comm.
- Received but not earned → Advance income
- Earned but not received → Accrued Income

ACCRUAL BASIS OF ACCOUNTING

Ch. 3
(Bases of Accounting)

ADJUSTMENTS



ACCRUAL BASIS OF ACCOUNTING

Outstanding Expenses are those expenses which have become due during the accounting period but which have not yet been paid, e.g., Electricity Expenses Payable.

Prepaid Expenses are those expenses which have been paid in advance, e.g., Prepaid Insurance.

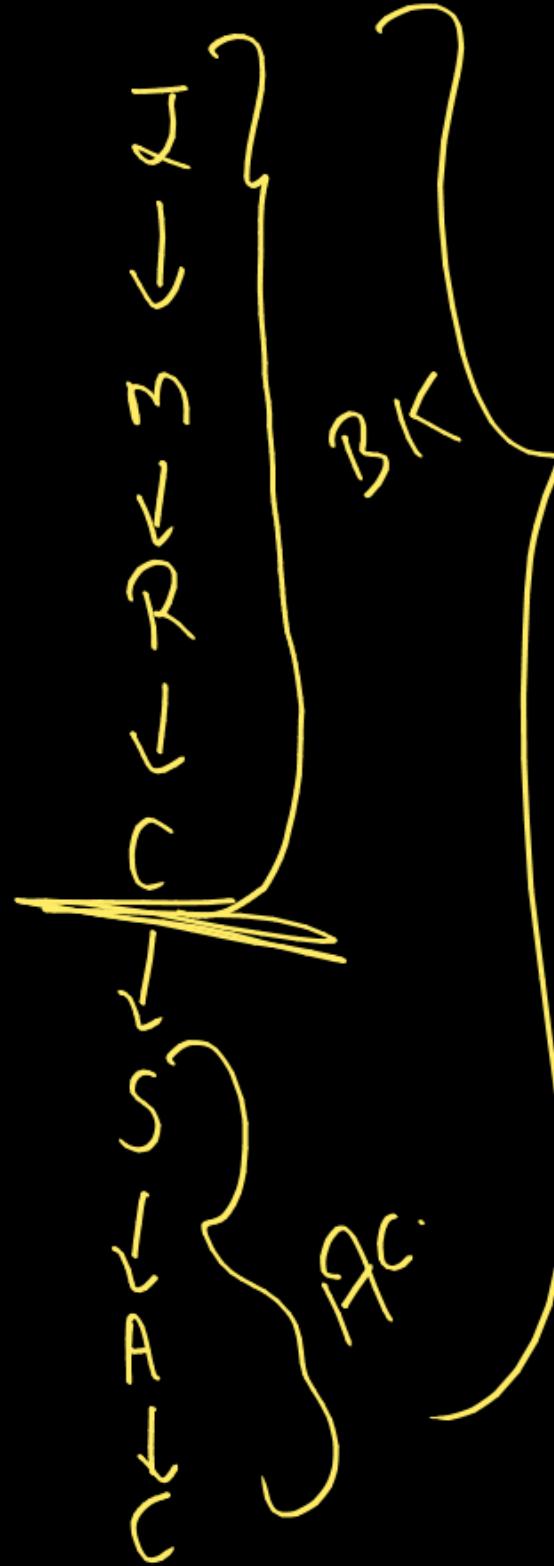
Accrued Income is an income which has been earned during the accounting period but has not yet become due and, therefore, has not been received, e.g., Interest accrued on Fixed Deposits.

Income Received in Advance is an income which has been received before it has been earned, i.e., goods to be sold or services to be rendered in future, e.g., Rent received in advance. ~~advance~~

QUESTION

Accounting Starts:

- (a) Where book-keeping begins
- ~~(b)~~ Where book-keeping ends
- (c) Where books are not maintained at all
- (d) After preparing final accounts



QUESTION

External users of accounting information are

- (a) Researchers**
- (b) Government**
- (c) Potential Investors**
- ✓(d) All of the above**

QUESTION

Which qualitative characterisitc of accounting information is reflected when accounting information is clearly presented?

- (a) Reliability
- (b) Relevance
- (c) Comparability
- ✓ (d) Understandability

QUESTION

If accounting information is based on facts and it is verifiable by documents it has the quality of

(a) Relevance

☒ (b) Reliability

(c) Understandability

(d) Comparability

QUESTION

A → water becomes steam at 100°C . bc3.
B - Water changes to vapours at boiling point

Assertion (A):

Owner's or investors who contribute capital in the business require information regarding risk and return on their investment in the business enterprise. because

Reason (R):

Long term lenders require information about the ability of the enterprise to pay interest and repayment of their loans.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- ☒ (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

QUESTION

Assertion (A):

Double Entry System of Accounting is an Accounting System by which both aspects, i.e., Debit and Credit of a financial transaction are recorded.

Reason (R):

Single Entry System of Accounting is a system of accounting by which both the aspects, i.e, Debit and Credit may or may not be recorded.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the ~~correct explanation of (A).~~
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

STAY CONNECTED

KEEP LEARNING

Thank You



Join our telegram channel