

Chapter 7 Double Entry System

Very Short Questions

Question 1

What is the double-entry system of book-keeping?

Solution: The double-entry system is an accounting system which affects at least two accounts simultaneously with every transaction. Two such examples are debit and credit account.

Question 2

State two type of accounts

Solution: The two types of accounts are.

(i) Personal account

(ii) Real account

(iii) Nominal account

Question 3

What are the personal account?

Solution: The account which is linked to a single company, institution, or a firm is known as a personal account.

Question 4

What are the real account?

Solution: These are accounts whose value is estimated in money and the business properties are known as a real account. Few examples are furniture account, cash account, etc.

Question 5

What are the nominal account?

Solution: All the accounts which are only mentioned but does not really exist is known as nominal account. For instance expense and income account.

Question 6

What are a natural personal account? Give an example.

Solution: 'Natural Personal Account' means all the account linked to a human being. Such as Priya's account.

Question 7

What are artificial personal accounts? Give an example.

Solution: These accounts do not have a physical existence, such as human being, but are considered as a personal account. For example, a company's account.

Question 8

What are representative personal accounts? Give an example.

Solution: When an account represents an individual or a group of individual, is known as a representative personal account. Such as outstanding rent account.

Question 9

What is the rule of recording transactions in a personal account?

Solution: The rule of recording transactions in a personal account is depicting debtor as receiver and creditor as a giver.

Question 10

What is the rule of recording transactions in a real account?

Solution: The rule of recording transactions in a personal account is recording debit as what comes in and credit as what goes out.

Question 11

What is the rule of recording transactions in a nominal account?

Solution: The rule of recording transactions in a personal account is recording debit as losses and expenses and credit as gains and income.

Practical Questions

Question 1

Classify the following accounts under personal, real or nominal accounts:

(i) Commission Paid	(iv) Prepaid Salaries
(iii) Commission Accrued	(vi) Discount Allowed
(v) Leasehold Property A/c	(viii) Life Insurance Corporation of India
(vii) Carriage Inwards A/c	(x) Rent Received in Advance
(ix) Drawings A/c	(xii) Sales A/c
(xi) Debtors	(xiv) Bank Overdraft
(xii) Rent Paid in Advance	(ii) Commission Received

Solution:

Personal Account	Real Account	Nominal Account
(iii) Commission Accrued	(v) Leasehold Property A/c	(i) Commission Paid
(iv) Prepaid Salaries		(ii) Commission Received
(viii) Life Insurance		(vi) Discount Allowed
(ix) Drawings A/c		(vii) Carriage Inwards Account
(x) Rent Received in Advance		(xii) Sales A/c

(xi) Debtors		
(xii) Rent Paid in Advance		
(xiv) Bank Overdraft		

Question 2

Classify the following into real, personal, or Nominal account.

1. Capital 2. Drawings 3. Cash paid 4. Cash Received 5. Commission Paid 6. Commission Received 7. Purchases A/c 8. Sales A/c 9. Furniture 10. Cash A/c 11. Bank A/c 12. Bank Overdraft 13. Debtors A/c 14. Creditors A/c 15. Travelling Expenses 16. Goodwill 17. Patents 18. Salary A/c 19. Salary Outstanding A/c 20. Insurance A/c 21. Insurance Prepaid A/c 22. Bad Debts are written off 23. Bad Debts Recovered

Solution

Personal Account	Real Account	Nominal Account
1. Capital		5. Commission Paid
	3. Cash paid	
2. Drawings		6. Commission Received 7. Purchases A/c
11. Bank A/c	4. Cash Received	8. Sales A/c
12. Bank Overdraft	9. Furniture	15. Travelling Expenses
13. Debtors A/c	10. Cash A/c	18. Salary A/c
14. Creditors A/c	16. Goodwill	20. Insurance A/c
19. Salary Outstanding A/c	17. Patents	22. Bad Debts are written off
21. Insurance Prepaid A/c		23. Bad Debts Recovered