

# CHAPTER-7 - Double Entry System

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## Very Short Questions

Q1

**Solution:**

A method of accounting which has an effect on at least two accounts at the same time for every transaction is known as the double entry system of book keeping.

Q2

**Solution:**

The different kinds of accounts are:

- Personal Account
- Real Account
- Nominal Account

Q3

**Solution:**

Personal accounts are those accounts that are related to an institution, individual, firm a particular company.

**Q4**

**Solution:**

Real accounts are those accounts that deal with the assets of a company. For example- Furniture A/c, Plant & Machinery A/c, etc.

**Q5**

**Solution:**

Nominal accounts are those accounts that exist only on paper but have no physical existence. For example- income account and expenses account.

**Q6**

**Solution:**

Natural Personal Account refers to the account attached to an individual. For example- Prerana's A/c.

**Q7**

**Solution:**

Artificial Personal Account refers to the accounts created under the provisions of the law. These accounts are devoid of a living existence. Example – a PVT. Ltd. company account.

**Q8**

**Solution:**

Representative personal account refers to the accounts that represent an individual or a group of people. For example- outstanding salary A/c.

**Q9**

**Solution:**

Debit the receiver, credit the giver is the rule linked to recording transactions of a personal account.

**Q10**

**Solution:**

Debit what comes in, credit what goes out is the rule linked to recording transactions of a real. account.

**Q11**

**Solution:**

Debit all expenses and loses, credit all incomes and gains is the rule linked to recording transactions of a nominal account.

# Practical Questions

Q1

**Solution:**

Please find below the classification of accounts:

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

## Q2

### Solution:

Please find below the classification of accounts:

<b>Personal Account</b>	<b>Real Account</b>	<b>Nominal Account</b>
1. Capital A/c	3. Cash paid	5. Commission Paid
2. Drawings A/c	4. Cash Received	6. Commission Received
11. Bank A/c	9. Furniture A/c	7. Purchases A/c
12. Bank Overdraft A/c	10. Cash A/c	8. Sales A/c
13. Debtors A/c	16. Goodwill A/c	15. Travelling Expenses A/c
14. Creditors A/c	17. Patents A/c	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