

BISHOP GEORGE

SCHOOL & COLLEGE

CLASS - XIth

SUBJECT - ACCOUNTS

CHAPTER - BASIC

ACCOUNTING TERMS

WORKSHEET - 1ST

CLASS - XIth
ACCOUNTS

classmate

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CH. 1 - BASIC ACCOUNTING TERMS

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There are certain basic accounting terms which are daily used in the business world. These basic terms are called accounting terminology.

1. Business Transaction :-

A business transaction is an economic activity of the business that changes its financial position. Whenever any business transaction takes place, it results in a change in the values of some of the assets, liabilities or capital.

2. Event :-

An event is the consequence or result of a transaction, for example:

Sachin starts a business with a Capital of Rs. 5,00,000. He purchases goods for Rs. 4,00,000 for cash & sells $\frac{3}{4}$ of these goods for Rs. 3,80,000.

He also pays Rs. 20,000 as rent of the godown.

3. Voucher:-

A voucher is a document which provides the authorisation to pay and on the basis of which the business transactions are, first of all, recorded in the books of accounts. A separate voucher is prepared for each transaction & it specifies the accounts to be debited or credited.

4. Trade Receivables:-

Trade receivables refer to the amount receivable on account of sale of goods or services rendered by the company in the normal course of business.

Trade receivables include both Debtors & Bills Receivables.

Debtors:- The term 'Debtors' represents those persons or firm to whom goods have been sold or services rendered on credit & payment has not been

received from them. They still owe some amount to the business. For example, if goods worth Rs. 50,000 have been sold to Mohan on Credit, he will continue to remain the debtor of the business so long as he does not make the full payment.

Bills Receivables :- A bill of exchange becomes bill receivable for the person who draws it (drawer) & gets it back, after its acceptance from the drawee. Thus bill receivable is an accounting term for bills of exchange drawn on debtor or received by way of endorsement from them. The amount specified in such a bill is receivable at a future date.