INDIAN SCHOOL DARSAIT

DEPARTMENT OF COMMERCE

Sub.: Accountancy	Basic Accounting Terms	Worksheet : 2
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Class and Div. XI C & D		

2nd Chapter

1	Capital: The amount invested by the Business Man. Capital=Assets-Liabilities.
2	Liabilities: Obligations of a business unit towards outside agencies for which the business is responsible. Liabilities can be divided into the following parts. (a)Long term liabilities (b) Current liabilities Liabilities= Assets-Capital
3	Assets: Assets are things of value owned. The types of assets are (a) **Fixed Assets** refer to those assets which are held for the purposes of providing or producing goods or services and those that are not held for resale in the normal course of business. Fixed assets may be classified as:- (i) Tangible Fixed Assets- are those fixed assets which can be seen and touched. Eg. Land, Building, Machinery etc. (ii) Intangible Fixed Assets- are those fixed assets which cannot be seen and touched. Eg, Goodwill, Patent,

	Trademarks, Copyrights etc. (b) **<u>Current Assets</u>** are those assets which are held in the form of cash or easily convertible in to cash within a short period of time or one year. Eg. Cash, Bank balance, Stock, Debtors, Bill receivable etc. Assets = Capital+ liabilities.
4	<u>Revenue</u>: Consistent inflow of funds/incomes on account of sale proceeds of goods and services to customers.
5	<u>Expenses:</u> Cost of things or services for the purpose of generating revenue. Expenses are voluntarily incurred to generate income.
6	<u>Expenditure</u>: It is an amount spent for the purpose of acquiring fixed assets. These expenditures have a capacity to generate/increase profit earning capacity of the business.
7	<u>Purchases</u>: Buying goods and commodities for resale or producing finished products. It may be by cash or credit.
8	<u>Sales</u>: Disposal of goods and commodities with a motive to earn profit is called sales. The sales may be for cash or credit.
9	<u>Stock:</u> Goods in hand or inventory unsold at the end of the year is called stock. At the end of every year it is called as closing stock and the same is called opening stock of next year.
10	<u>Debtor</u>: A person who owes money to the firm mostly on account of credit sales of goods.
11	<u>Creditor</u>: A person to whom money owes by the firm mostly on account of credit purchases of goods.

12	Income: Excess of revenue over expenses is income or profit.
13	Gain: A monetary benefit, profit or advantage resulting from a transaction or group of transactions.
14	Losses: Loss really means something against which the firm receives no benefit. It may be noted that expenses lead to revenue but losses do not, such as theft.
15	Proprietor: The person who makes the investment and bears all the risks connected with the business.
16	Drawings: It is the amount of money or the value of goods which the proprietor takes for his domestic or personal use.
17	Transaction: A transaction is any event which involves an exchange of values between two or more persons.

ACCOUNTING EQUATIONS;

ASSETS = LIABILITIES + CAPITAL

LIABILITIES = ASSETS – CAPITAL

CAPITAL = ASSETS – LIABILITIES