SSC

SMIT SIR COMMERCE

GSEB | ENGLISH MEDIUM

ELEMENTS OF BOOK-KEEPING & ACCOUNTANCY

STANDARD 11

CHAPTER 2

Dual Effect of Transactions and Types of Accounts

Transaction Logic | Account Classification | Debit-Credit Rules | Board Practice

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Learn the Concept. Understand the Logic. Write Better Answers.

Why Chapter 2 Is the Turning Point in Accounts

Chapter 1 taught the vocabulary. Chapter 2 teaches the logic behind recording. From this chapter onward, every transaction must be analysed from two sides.

The biggest mistake students make is memorising 'debit this, credit that' without first understanding what actually changed in the business. These notes reverse that approach: first understand the transaction, then identify accounts, then apply the rule.

DEEP RESEARCH - CONCEPT ENRICHMENT

The GSEB chapter uses the traditional Personal-Real-Nominal classification. ICAI material teaches the same traditional rules and also links double entry to the dual aspect concept: every transaction has a two-sided effect. These notes keep GSEB wording for exams and use modern concepts only as enrichment.

Chapter Roadmap

Part	What You Learn
A	Meaning and classification of business transactions
B	How to identify cash and credit transactions
C	Voucher and source documents
D	Dual effect of every business transaction
E	Types of accounts: Personal, Real, Nominal
F	Special account classification examples
G	Golden rules of debit and credit
H	Step-by-step debit-credit analysis
I	Board questions, cases, transaction drills and revision

EXAM IMPORTANT

Master this chapter and Journal Entries become much easier.

1. Meaning of Business Transaction

Simple Meaning: A business transaction is an economic activity connected with the business that can be measured in money and has a financial effect.

KEY TERM - BUSINESS TRANSACTION

An exchange or economic event involving the business that can be expressed in money and affects the business financially.

- It relates to the business.
- It has economic/monetary value.
- It may be cash or credit.
- It may involve an outside party or occur within the business.
- It creates one or more financial effects.

Transaction Test - Ask These 5 Questions

1. Did something actually happen, rather than merely being planned?
2. Is it connected with the business?
3. Can the effect be measured in money?
4. Does it create a financial change?
5. Can the change be identified in one or more accounts?

SMIT SIR'S NOTE

A plan to buy a machine next month is not yet recorded. The actual purchase is a transaction.

2. Classification of Business Transactions

The textbook classifies transactions from different viewpoints. One transaction can belong to more than one classification at the same time.

Viewpoint	Classification
Economic value	Economic / Non-economic
Cash-credit nature	Cash / Credit / Other
Relationship	Internal / External

2.1 Economic Transaction

An economic transaction has a measurable money value and affects the business accounts.

Examples: Buying an asset, selling goods, paying wages, receiving cash from a debtor, purchasing goods on credit.

EXAM IMPORTANT

Only economic/business transactions are normally recorded in the books of accounts.

2.2 Non-Economic Transaction

A non-economic transaction or event cannot be measured in money or does not create an accounting effect.

Examples from the chapter logic: receiving an order to supply goods later, deciding to expand sales, planning to buy an asset.

COMMON MISTAKE

Do not record a mere intention, plan or order unless it creates a measurable financial effect.

Economic vs Non-Economic - Quick Decision

Situation	Economic?	Reason
Asset purchased for Rs.10,000	Yes	Money paid and asset acquired
Asset purchased on credit	Yes	Asset increases and creditor arises
Asset sold for cash	Yes	Cash received and asset leaves
Wages paid	Yes	Service expense and cash outflow
Liability settled	Yes	Cash decreases and liability decreases
Customer order received	No in this chapter framing	No present measurable accounting effect
Plan to increase sales	No	Planning only
Plan to buy machine	No	No actual transaction yet

3. Cash / Credit / Other Transactions

Type	Easy Meaning	Core Signal
Cash Transaction	Cash or bank immediately increases/decreases	Cash/bank movement now
Credit Transaction	Amount is payable/receivable later	Debtor/creditor relation arises
Other Transaction	Neither normal cash nor credit category	Special adjustment/non-routine effect

3.1 Cash Transaction

A transaction is treated as cash when cash/bank is received or paid immediately.

- Asset: Furniture bought for cash.
- Goods: Goods sold for cash.
- Service: Salary paid in cash.
- Bank transaction: Cheque paid/received affects bank and is treated as cash transaction in the source.

REMEMBER THIS

If cash or bank balance changes immediately, think cash transaction.

3.2 Credit Transaction

A credit transaction takes place without immediate cash settlement and creates a receivable or payable.

- Goods bought from a named supplier on credit -> creditor arises.
- Goods sold to a named customer on credit -> debtor arises.
- Asset bought from a named supplier with payment due later -> creditor/payable arises.
- Service received on credit may create an outstanding payable.

REMEMBER THIS

Credit transaction = no immediate cash + future amount receivable/payable + person/party relationship.

3.3 Other Transactions

Some accounting events are neither normal cash nor normal credit transactions.

Examples: Goods destroyed by accident/fire, depreciation, certain adjustments.

SMIT SIR'S NOTE

These transactions can still have financial effect even though no cash is paid and no debtor/creditor is created.

How to Identify Cash vs Credit from the Wording

Clue	Likely Treatment
Word 'cash' is used	Cash transaction
No person's name and immediate payment/receipt is implied	Usually cash transaction
Cheque / bank is mentioned	Cash/bank transaction
Specific person's name appears and no cash/bank is mentioned	Often credit transaction
Amount payable/receivable later	Credit transaction

EXAM IMPORTANT

This is an identification shortcut, not a substitute for understanding the transaction.

Cash or Credit? - 15 Worked Examples

Transaction	Type	Why
Goods sold for cash Rs.500	Cash	Cash increases
Goods purchased for Rs.800	Cash	No party named; source treats as cash
Goods worth Rs.900 sold to Mina	Credit	Named person, no cash mentioned
Goods worth Rs.2,000 sold to Nutan for cash	Cash	Cash explicitly mentioned
Salary paid Rs.5,000	Cash	Cash paid for service
Insurance premium paid Rs.8,000	Cash	Cash paid
Goods worth Rs.200 received as free sample	Other / non-normal	No cash, no debtor/creditor
Furniture purchased from Shreeji Furniture Rs.3,000	Credit	Named supplier; payable arises
Commission received Rs.3,200	Cash	Cash received
Goods purchased for Rs.5,000; paid by cheque	Cash	Bank decreases
Goods worth Rs.6,000 sold; payment received by cheque	Cash	Bank increases
Rent received by cheque Rs.500	Cash	Bank increases
Telephone bill paid by cheque	Cash	Bank decreases
Cheque issued to Laxmiben for dues	Cash	Bank decreases and liability settles
Machine purchased from Ramesh Bros on credit	Credit	Asset comes in; supplier becomes payable

4. Internal and External Transactions

Internal Transaction: Occurs within the business and may not involve an outside party.

External Transaction: Takes place between the business and another person/entity.

Type	Example
Internal	Depreciation on asset; loss due to calamity; internal adjustment
External	Purchase from supplier; sale to customer; payment to bank; receipt from debtor

5. Voucher - The Starting Evidence

The textbook calls voucher the pillar of accounting. A voucher is written documentary evidence supporting a business transaction.

KEY TERM - VOUCHER

Source document or written proof used as the basis for recording a transaction.

Before recording, the accountant uses the voucher to identify the nature, amount, date and parties of the transaction.

Common Vouchers / Source Documents

Document	Purpose
Sales Bill	Evidence of sale of goods
Purchase Bill	Evidence of purchase of goods
Debit Note	Used in purchase-return/claim-type situations
Credit Note	Used in sales-return/allowance-type situations
Cheque Counterfoil	Evidence of cheque issued / bank payment
Pay-in Slip	Evidence of cash/cheque deposited in bank
Receipt Issued	Written proof of amount received
Receipt Received	Written proof of amount paid
Expense Bill	Evidence of expense paid/incurred

Components of a Voucher

1. Name and address of voucher issuer.
2. Name and address of voucher receiver.
3. Date.
4. Serial number.
5. Amount in figures and words.
6. Signature of bill preparer / authorised person.
7. Signature of receiver where necessary.
8. Type / purpose of voucher.

SMIT SIR'S NOTE

Good documentation improves reliability and makes later verification easier.

6. Dual Effect of Transaction

Under double-entry accounting, every business transaction has two financial effects. The two effects may involve two different accounts or two sides of the accounting equation.

KEY TERM - DUAL EFFECT

Every transaction affects at least two accounting elements/accounts in a balanced manner.

DEEP RESEARCH - CONCEPT ENRICHMENT

ICAI material describes double entry as a system that recognises both aspects of a transaction. Under the accounting-equation approach, the two-sided effect preserves the balance between assets and claims on assets.

Think in Effects Before Debit-Credit

Do not begin with 'Which account is debit?' Begin with these questions:

1. What came into the business?
2. What went out of the business?
3. Who received benefit?
4. Who gave benefit?
5. Was an expense/loss incurred?
6. Was income/gain earned?

REMEMBER THIS

First identify effect. Then identify account. Then apply debit-credit rule.

Dual Effect - Worked Examples

Transaction	First Effect	Second Effect
Business started with cash Rs.20,000	Cash increases	Capital increases
Cash deposited into bank	Bank balance increases	Cash in hand decreases
Goods purchased from Bhavnaben on credit	Goods/purchases increase	Bhavnaben payable increases
Goods sold to Vipul on credit	Vipul receivable increases	Sales/revenue increases
Goods sold for cash	Cash increases	Goods/sales effect occurs
Furniture purchased for cash	Furniture increases	Cash decreases
Commission paid	Expense increases	Cash decreases
Goods returned by customer	Sales return/goods come back	Customer receivable decreases
Goods returned to supplier	Supplier payable decreases	Purchase return/goods go out
Cheque issued to supplier	Payable decreases	Bank decreases
Customer gives cheque	Bank increases	Customer receivable decreases

7. Types of Accounts - The Big Classification

The textbook divides accounts into Personal Accounts and Impersonal Accounts. Impersonal Accounts are further divided into Real and Nominal accounts.

Main Group	Sub-Type	What It Represents
Personal	Natural / Artificial / Representative	Persons and person-related claims
Impersonal	Real	Assets / goods / property
Impersonal	Nominal	Expenses, losses, incomes and gains

7.1 Personal Account

Personal accounts relate to persons with whom the business deals or to accounts representing persons.

The textbook includes both natural persons and legal/artificial persons. It also treats several outstanding/advance items as personal because they represent a person to whom amount is payable or from whom it is receivable.

Natural, Artificial and Representative Personal Accounts

Type	Meaning	Examples
Natural Person	Actual human being	Ram, Shilpa, Nilamben
Artificial / Legal Person	Entity recognised by law	Company, bank, school, university, government, club
Representative Personal	Account representing a person/claim	Outstanding salary, rent payable, wages payable, income received in advance

EXAM IMPORTANT

Outstanding expenses are often tricky: the expense itself is nominal, but the outstanding liability account is personal/representative personal.

Personal Account - Golden Rule

Debit the Receiver
Credit the Giver

Logic: If a person receives benefit from the business, debit that person's account. If a person gives benefit/value to the business, credit that person's account.

REMEMBER THIS

PERSONAL: Receiver = Debit | Giver = Credit.

Personal Accounts - Worked Logic

Transaction	Person's Role	Treatment
Goods sold on credit to Jayshree	Jayshree receives goods	Debit Jayshree
Rs.10,000 deposited with Bank of Baroda	Bank receives cash	Debit Bank
Rs.3,000 paid to Bhumika	Bhumika receives cash	Debit Bhumika
Rent receivable from Shilpa	Shilpa is benefit receiver/debtor	Debit Shilpa
Goods purchased from Jayshree	Jayshree gives goods	Credit Jayshree
Cash withdrawn from bank	Bank gives cash	Credit Bank
Cash received from Bhumika	Bhumika gives cash	Credit Bhumika

7.2 Real Account

Real accounts relate to assets, property and goods. They include tangible and intangible assets.

- Goods Accounts: Purchases, Sales, Purchase Return, Sales Return, Stock and related goods accounts in the textbook classification.
- Asset Accounts: Cash, machinery, furniture, land, patent, copyright, goodwill, investments and similar asset accounts.

Real Account - Golden Rule

Debit What Comes In
Credit What Goes Out

Logic: When an asset/goods comes into business, debit the relevant real account. When an asset/goods leaves business, credit the relevant real account.

REMEMBER THIS

REAL: Comes In = Debit | Goes Out = Credit.

Real Accounts - Worked Logic

Transaction	Asset/Goods Movement	Treatment
Goods purchased for cash	Goods come in	Debit Purchases / goods account
Furniture purchased for cash	Furniture comes in	Debit Furniture
Machine purchased from supplier	Machine comes in	Debit Machine
Goods sold for cash	Goods go out	Credit Sales / goods account
Old furniture sold	Furniture goes out	Credit Furniture
Machine sold	Machine goes out	Credit Machine

7.3 Nominal Account

Nominal accounts record expenses, losses, incomes and gains of an accounting period.

These accounts help determine the profit or loss of the business.

Nominal Account - Golden Rule

Debit All Expenses and Losses
Credit All Incomes and Gains

REMEMBER THIS

NOMINAL: Expense/Loss = Debit | Income/Gain = Credit.

Nominal Accounts - Worked Logic

Transaction	Nature	Treatment
Salary paid	Expense	Debit Salary
Rent paid	Expense	Debit Rent
Telephone bill	Expense	Debit Telephone Expense
Bad debt	Loss	Debit Bad Debts
Brokerage received	Income	Credit Brokerage
Commission received	Income	Credit Commission
Dividend received	Income	Credit Dividend
Interest received	Income	Credit Interest

Golden Rules - Master Table

Account Type	Debit Rule	Credit Rule
Personal	Debit the receiver	Credit the giver
Real	Debit what comes in	Credit what goes out
Nominal	Debit expenses and losses	Credit incomes and gains

EXAM IMPORTANT

This table must become automatic. But always identify the account type first.

How to Classify Any Account - 3-Step Method

1. Does the account represent a person, organisation, bank, creditor/debtor or person-related claim? -> Personal.
2. If not, does it represent goods, cash, property, asset, investment, patent, goodwill etc.? -> Real.
3. If not, is it an expense, loss, income or gain? -> Nominal.

Tricky Account Classification - Textbook Pattern

Account	Type	Why
Drawings A/c	Personal	Relates to owner
Capital A/c	Personal	Owner's claim
Bills Receivable A/c	Personal	Receivable from person
Bills Payable A/c	Personal	Payable to person
Bank A/c	Personal	Bank is legal/artificial person in traditional classification
Bank Overdraft A/c	Personal	Liability to bank
Outstanding Salary A/c	Personal	Amount payable to workers
Rent Payable A/c	Personal	Amount payable to person
Income Received in Advance A/c	Personal	Liability to customer/person
Closing Stock A/c	Real	Goods/asset
Purchase A/c	Real	Goods account in textbook traditional approach
Sales A/c	Real	Goods account in textbook traditional approach
Purchase Return A/c	Real	Goods account
Sales Return A/c	Real	Goods account
Patent A/c	Real	Intangible asset
Share Investment A/c	Real	Asset/investment
Debenture Investment A/c	Real	Asset/investment
Interest on Capital A/c	Nominal	Expense
Interest on Drawings A/c	Nominal	Income
Discount Allowed A/c	Nominal	Expense
Discount Received A/c	Nominal	Income
Goods Destroyed by Fire A/c	Nominal	Loss
Donation A/c	Nominal	Expense in source example
Depreciation A/c	Nominal	Expense

Deep Research Note - Traditional vs Modern Account Classification

The Personal-Real-Nominal system is a traditional and very useful method for learning debit-credit rules.

DEEP RESEARCH - CONCEPT ENRICHMENT

Modern accounting courses also classify accounts by the accounting equation: Assets, Liabilities, Equity/Capital, Income and Expenses. Both approaches describe the same transactions from different learning frameworks. For your GSEB Chapter 2 examination, use Personal, Real and Nominal exactly as the textbook does.

Outstanding and Advance Items - The Most Confusing Part

Transaction	Main Expense/Income A/c	Related Personal A/c
Salary outstanding	Salary A/c = Nominal expense	Outstanding Salary A/c = Personal liability
Rent outstanding	Rent A/c = Nominal expense	Rent Payable A/c = Personal liability
Commission outstanding	Commission A/c = Nominal expense	Commission Outstanding A/c = Personal liability
Salary paid in advance	Salary A/c relates to expense	Advance/prepaid amount represents receivable/future benefit
Commission received in advance	Commission A/c relates to income	Advance receipt creates personal liability
Rent received in advance	Rent A/c relates to income	Advance receipt creates liability

COMMON MISTAKE

Do not classify 'Salary A/c' and 'Outstanding Salary A/c' as the same type. One is an expense; the other represents an amount payable to people.

8. Steps of Debiting and Crediting Accounts

The textbook gives a practical sequence. Use this for every transaction:

1. Decide whether the transaction is an economic transaction to be recorded.
2. Identify the two accounts/effects involved.
3. Determine which account receives first/debit effect.
4. Determine which account gives second/credit effect.
5. Classify each account as Personal, Real or Nominal.
6. Apply the relevant debit-credit rule.
7. Check that the two effects balance.

Universal 6-Question Transaction Method

Question	Why Ask It?
1. What happened?	Understand the transaction
2. Which two accounts changed?	Find dual effect
3. What type is Account 1?	Choose correct rule
4. What type is Account 2?	Choose correct rule
5. Which side is debit?	Apply debit rule
6. Which side is credit?	Apply credit rule

SMIT SIR'S NOTE

Never jump directly to debit/credit without answering Question 1 and 2.

16 Fully Explained Debit-Credit Examples

Transaction	Debit Effect	Credit Effect
Started business with cash Rs.40,000	Cash A/c (Real) - comes in -> Debit	Capital A/c (Personal) - owner gives -> Credit
Loan obtained from Ramnik Rs.60,000	Cash A/c (Real) - comes in -> Debit	Ramnik A/c (Personal) - giver -> Credit
Cash deposited into bank Rs.20,000	Bank A/c (Personal) - receiver -> Debit	Cash A/c (Real) - goes out -> Credit
Brokerage received Rs.4,000	Cash A/c (Real) - comes in -> Debit	Brokerage A/c (Nominal) - income -> Credit
Goods purchased on credit from Bachubhai	Purchases A/c (Real) - goods come in -> Debit	Bachubhai A/c (Personal) - giver -> Credit
Goods sold on credit to Laxmi	Laxmi A/c (Personal) - receiver -> Debit	Sales A/c (Real) - goods go out -> Credit
Shop rent paid	Rent A/c (Nominal) - expense -> Debit	Cash A/c (Real) - goes out -> Credit
Interest becomes receivable from Kundan	Kundan A/c (Personal) - receiver/debtor -> Debit	Interest A/c (Nominal) - income -> Credit
Salary paid to Dinesh	Salary A/c (Nominal) - expense -> Debit	Cash A/c (Real) - goes out -> Credit
Commission received	Cash A/c (Real) - comes in -> Debit	Commission A/c (Nominal) - income -> Credit
Furniture purchased on credit from Raj Furniture Mart	Furniture A/c (Real) - comes in -> Debit	Raj Furniture Mart A/c (Personal) - giver -> Credit
Goods returned by Laxmi	Sales Return A/c / goods return effect -> Debit	Laxmi A/c - her receivable decreases -> Credit
Goods returned to Bachubhai	Bachubhai A/c - liability decreases -> Debit	Purchase Return A/c / goods go out -> Credit
Cash withdrawn from bank	Cash A/c - comes in -> Debit	Bank A/c - giver -> Credit
Postage paid	Postage A/c - expense -> Debit	Cash A/c - goes out -> Credit
Goods given for advertisement	Advertisement A/c - expense -> Debit	Goods/Purchases effect -> Credit

30 Transaction Classification Drills

Transaction	Account Types	Likely Treatment
Cash purchase of goods	Real + Real	Purchases Dr / Cash Cr
Credit purchase from Ramesh	Real + Personal	Purchases Dr / Ramesh Cr
Cash sale of goods	Real + Real	Cash Dr / Sales Cr
Credit sale to Mina	Personal + Real	Mina Dr / Sales Cr
Salary paid	Nominal + Real	Salary Dr / Cash Cr
Rent received	Real + Nominal	Cash Dr / Rent Income Cr
Machinery bought for cash	Real + Real	Machinery Dr / Cash Cr
Machinery bought from Ketan on credit	Real + Personal	Machinery Dr / Ketan Cr
Furniture sold for cash	Real + Real	Cash Dr / Furniture Cr
Commission received	Real + Nominal	Cash Dr / Commission Cr
Brokerage paid	Nominal + Real	Brokerage Dr / Cash Cr
Goods returned to supplier	Personal + Real	Supplier Dr / Purchase Return Cr
Goods returned by customer	Real/return + Personal	Sales Return Dr / Customer Cr
Bank loan received	Real + Personal	Cash/Bank Dr / Bank/Loan Cr
Loan repaid	Personal + Real	Loan/Bank Dr / Cash/Bank Cr
Interest paid	Nominal + Real	Interest Dr / Cash Cr
Interest received	Real + Nominal	Cash Dr / Interest Cr
Discount allowed	Nominal + Personal/Real	Discount Allowed Dr / Debtor-Cash effect
Discount received	Personal/Real + Nominal	Creditor-Cash effect / Discount Received Cr
Goods destroyed by fire	Nominal + Real	Loss by Fire Dr / Goods Cr
Depreciation charged	Nominal + Real	Depreciation Dr / Asset effect Cr
Cash withdrawn for personal use	Personal + Real	Drawings Dr / Cash Cr
Goods withdrawn for personal use	Personal + Real	Drawings Dr / Purchases/Goods Cr
Owner brings additional cash	Real + Personal	Cash Dr / Capital Cr
Owner brings furniture	Real + Personal	Furniture Dr / Capital Cr
Wages outstanding	Nominal + Personal	Wages Dr / Outstanding Wages Cr
Rent paid in advance	Personal/asset + Real	Prepaid Rent Dr / Cash Cr
Income received in advance	Real + Personal	Cash Dr / Income Received in Advance Cr
Customer pays by cheque	Bank/Personal + Personal	Bank Dr / Customer Cr
Cheque paid to creditor	Personal + Bank/Personal	Creditor Dr / Bank Cr

How to Write Major Answers in the Exam

Q1. Explain classification of business transactions.

Best structure: Economic/Non-economic -> Cash/Credit/Other -> Internal/External -> one example each.

Q2. What is a voucher? Explain its components.

Best structure: Meaning -> importance -> common vouchers -> 8 components.

Q3. Explain dual effect of transactions.

Best structure: Meaning -> two effects -> 3-4 worked examples.

Q4. Explain types of accounts.

Best structure: Personal -> Real -> Nominal -> subtypes/examples.

Q5. Explain rules of debit and credit.

Best structure: Write the three golden rules in a clean table and explain one example under each.

Q6. Explain steps for determining debit and credit.

Best structure: Economic? -> identify accounts -> classify -> apply rule -> verify dual effect.

Common Mistakes Students Make

COMMON MISTAKE

Wrong idea: Every transaction involving a person's name is credit.
Correct idea: A named person often signals credit, but cash/cheque or other context can change treatment.

COMMON MISTAKE

Wrong idea: Bank is always a real account because it holds cash.
Correct idea: In the textbook's traditional classification, Bank A/c is treated as a personal/legal/artificial person account.

COMMON MISTAKE

Wrong idea: Outstanding salary is nominal because salary is expense.
Correct idea: Salary A/c is nominal; Outstanding Salary A/c represents a payable person and is personal/representative.

COMMON MISTAKE

Wrong idea: Purchase A/c means any item purchased.
Correct idea: Purchase A/c in this chapter relates to goods bought for resale.

COMMON MISTAKE

Wrong idea: Debit always means cash comes in.
Correct idea: Debit depends on account type. Expenses are debited even when cash goes out.

COMMON MISTAKE

Wrong idea: Credit always means cash goes out.
Correct idea: Income is credited even when cash comes in.

COMMON MISTAKE

Wrong idea: A free sample received is a normal credit purchase.
Correct idea: No creditor arises merely because goods are received free.

COMMON MISTAKE

Wrong idea: Goods destroyed by fire create a creditor.
Correct idea: It is an internal loss/adjustment, not a creditor.

COMMON MISTAKE

Wrong idea: A plan to purchase an asset is a transaction.
Correct idea: A plan alone has no present accounting effect.

COMMON MISTAKE

Wrong idea: Cheque transactions are credit transactions.
Correct idea: Cheque changes bank balance now; textbook treats them as cash/bank transactions.

Cash vs Credit Transaction

Basis	Cash Transaction	Credit Transaction
Settlement	Immediate	Future
Cash/Bank Effect	Occurs now	Usually no immediate cash effect
Debtor/Creditor	Usually not created	Usually created
Signal	Cash/cheque/bank	Named party + amount due later

Personal vs Real vs Nominal Accounts

Basis	Personal	Real	Nominal
Represents	Person/entity/claim	Asset/goods/property	Expense/loss/income/gain
Debit	Receiver	What comes in	Expense/loss
Credit	Giver	What goes out	Income/gain
Example	Ramesh, Bank, Capital	Cash, Machinery, Patent	Salary, Interest, Discount

Practice Set A - 20 MCQs

1. Which transaction is non-economic in the chapter's sense?

- A. Plan to buy a machine
- B. Salary paid
- C. Credit sale
- D. Cash purchase

2. A transaction with immediate cash movement is:

- A. Cash transaction
- B. Credit transaction
- C. Non-economic
- D. External only

3. Goods sold to a named person without cash mention is generally:

- A. Credit transaction
- B. Cash transaction
- C. Non-economic
- D. Internal

4. Depreciation is usually:

- A. Internal transaction
- B. Credit sale
- C. Cash sale
- D. Non-economic

5. Voucher is:

- A. Documentary evidence
- B. Profit
- C. Capital
- D. Stock

6. Under dual effect, every transaction has:

- A. at least two effects
- B. one effect only
- C. no monetary effect
- D. only cash effect

7. Ramesh A/c is generally:

- A. Personal

- B. Real
- C. Nominal
- D. None

8. Machinery A/c is:

- A. Real
- B. Personal
- C. Nominal
- D. Capital

9. Salary A/c is:

- A. Nominal
- B. Real
- C. Personal
- D. Asset

10. Golden rule for personal account:

- A. Debit receiver, credit giver
- B. Debit what comes in
- C. Debit expenses
- D. Credit receiver

11. Golden rule for real account:

- A. Debit what comes in, credit what goes out
- B. Debit receiver
- C. Credit expenses
- D. Debit income

12. Golden rule for nominal account:

- A. Debit expenses/losses, credit incomes/gains
- B. Debit giver
- C. Credit assets
- D. Debit capital

13. Outstanding Salary A/c is treated as:

- A. Personal
- B. Nominal only
- C. Real
- D. Revenue

14. Patent A/c is:

- A. Real
- B. Personal
- C. Nominal
- D. Liability

15. Discount received is:

- A. Nominal income
- B. Real asset
- C. Personal liability
- D. Drawings

16. Goods destroyed by fire is:

- A. Nominal loss
- B. Personal account
- C. Asset
- D. Income

17. Bank A/c under traditional textbook classification is:

- A. Personal
- B. Nominal
- C. Real only
- D. Expense

18. When goods are purchased for cash:

- A. Goods come in and cash goes out
- B. cash and goods both come in
- C. both go out
- D. no dual effect

19. When commission is received:

- A. cash comes in and income arises
- B. expense arises
- C. creditor arises
- D. no accounting effect

20. First practical step before debit-credit is:

- A. understand and identify accounts
- B. memorize answer
- C. write credit first
- D. ignore transaction nature

Practice Set B - 20 Application MCQs

21. Goods worth Rs.5,000 sold to Raj. Cash is not mentioned. This is:

- A. Credit sale
- B. Cash sale
- C. Non-economic
- D. Internal

22. Rs.5,000 deposited in bank. Debit account is:

- A. Bank
- B. Cash
- C. Capital
- D. Sales

23. Goods purchased from Mira on credit. Credit account is:

- A. Mira
- B. Purchases
- C. Cash
- D. Salary

24. Furniture purchased for cash. Debit account is:

- A. Furniture
- B. Cash
- C. Capital
- D. Sales

25. Salary paid. Debit account is:

- A. Salary
- B. Cash
- C. Capital
- D. Bank loan

26. Interest received. Credit account is:

- A. Interest
- B. Cash
- C. Debtor
- D. Furniture

27. Customer returns goods. Which person account decreases?

- A. Customer

- B. Supplier
- C. Bank
- D. Owner

28. Goods returned to supplier. Which person account is debited?

- A. Supplier
- B. Customer
- C. Cash
- D. Sales

29. Business starts with cash. Which account is credited?

- A. Capital
- B. Cash
- C. Salary
- D. Purchase

30. Cash withdrawn for personal use. Which account is debited?

- A. Drawings
- B. Cash
- C. Sales
- D. Bank loan

31. Wages outstanding creates:

- A. expense + personal liability
- B. only cash effect
- C. income
- D. asset sale

32. Commission received in advance creates:

- A. cash + liability
- B. only income immediately
- C. purchase
- D. drawings

33. Which is an artificial personal account?

- A. Gujarat University
- B. Cash
- C. Salary
- D. Machinery

34. Which is a natural person account?

- A. Nilamben
- B. Bank
- C. Patent
- D. Rent

35. Which is a real intangible asset?

- A. Goodwill
- B. Salary
- C. Commission
- D. Creditors

36. Which document supports cash deposit into bank?

- A. Pay-in slip
- B. Credit note
- C. Sales bill only
- D. Ledger

37. Which document commonly supports a purchase return?

- A. Debit note
- B. Pay-in slip
- C. Salary slip only
- D. Trial balance

38. Which account type decides 'receiver/giver' rule?

- A. Personal
- B. Real
- C. Nominal
- D. Cash basis

39. Which account type decides 'comes in/goes out'?

- A. Real
- B. Personal
- C. Nominal
- D. Revenue

40. Which account type decides 'expense/income'?

- A. Nominal
- B. Real
- C. Personal
- D. Capital

MCQ Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	A	2	A	3	A	4	A	5	A
6	A	7	A	8	A	9	A	10	A
11	A	12	A	13	A	14	A	15	A
16	A	17	A	18	A	19	A	20	A
21	A	22	A	23	A	24	A	25	A
26	A	27	A	28	A	29	A	30	A
31	A	32	A	33	A	34	A	35	A
36	A	37	A	38	A	39	A	40	A

Board-Style One-Sentence Questions

- What is dual effect?
- What is a cash transaction?
- What is a credit transaction?
- Give one example of non-economic transaction.
- What is an internal transaction?
- What is a voucher?
- State any four components of a voucher.
- What is a personal account?
- What is a real account?
- What is a nominal account?
- State the rule of personal account.
- State the rule of real account.
- State the rule of nominal account.
- What is a natural person account?
- What is an artificial person account?
- Give one example of representative personal account.

Board-Style Short Questions

- Distinguish cash and credit transactions.
- Distinguish economic and non-economic transactions.
- Explain internal and external transactions.
- Explain components of a voucher.
- Explain the meaning of dual effect with examples.
- Explain personal accounts with examples.
- Explain real accounts with examples.
- Explain nominal accounts with examples.
- Explain natural and artificial personal accounts.
- Explain how cash and credit transactions are identified.
- Explain the golden rules of debit and credit.
- Explain the steps for determining debit and credit.

Board-Style Detailed Questions

- Explain classification of business transactions in detail.
- What is a voucher? Explain its types and components.
- Explain dual effect of transaction with suitable examples.
- Explain types of accounts and their classification.
- Explain rules of debit and credit with illustrations.
- Analyse a set of transactions and state which accounts are debited and credited with reasons.

Case-Based Practice

Case 1

A shop receives an order for goods worth Rs.30,000, but has not yet supplied anything.

Answer: Non-economic/no accounting transaction yet in chapter framing.

Case 2

Goods worth Rs.20,000 are purchased from Riya on credit.

Answer: Economic external credit transaction. Purchases/ goods account is debited; Riya is credited.

Case 3

A machine is purchased for cash Rs.50,000.

Answer: Economic cash transaction. Machine comes in -> debit; Cash goes out -> credit.

Case 4

Goods worth Rs.5,000 are destroyed by fire.

Answer: Economic internal transaction. Loss by fire is debited; goods/purchases effect is credited.

Case 5

Salary Rs.8,000 remains unpaid at year-end.

Answer: Salary expense is nominal and debited; outstanding salary represents a personal liability and is credited.

Case 6

Commission Rs.2,000 is received in cash.

Answer: Cash comes in -> debit; commission income -> credit.

Case 7

Owner withdraws Rs.3,000 cash for home expenses.

Answer: Drawings/owner account is debited; Cash is credited.

Case 8

Customer Mina pays Rs.10,000 by cheque.

Answer: Bank receives value -> debit; Mina's receivable decreases -> credit.

Case 9

The business pays supplier Raj by cheque.

Answer: Raj receives benefit / liability decreases -> debit; Bank gives value -> credit.

Case 10

A patent is purchased for cash.

Answer: Patent is a real intangible asset; Patent debit, Cash credit.

5-Minute Chapter Revision

Economic: measurable financial effect. Non-economic: no present measurable effect.

Cash: cash/bank changes now. Credit: debtor/creditor relation arises.

Internal: within business. External: with outside party.

Voucher: documentary evidence / source document.

Dual effect: every transaction has two financial effects.

Personal: Receiver Dr, Giver Cr.

Real: Comes In Dr, Goes Out Cr.

Nominal: Expense/Loss Dr, Income/Gain Cr.

Method: Understand -> Identify accounts -> Classify -> Apply rule -> Check.

EXAM IMPORTANT

Ultra-short memory: Person? Receiver/Giver. Asset? In/Out. Expense or Income? Debit/Credit by nature.

One-Page Master Revision Sheet

Topic	Must Remember
Business Transaction	Economic + measurable + financial effect
Economic / Non-economic	Record economic only
Cash Transaction	Cash/bank changes immediately
Credit Transaction	Amount due later; debtor/creditor arises
Internal / External	Within business / with outside party
Voucher	Documentary evidence
Dual Effect	At least two effects
Personal Rule	Debit receiver, credit giver
Real Rule	Debit what comes in, credit what goes out
Nominal Rule	Debit expense/loss, credit income/gain
Outstanding Expense	Expense nominal + liability personal
Debit-Credit Process	Understand -> Identify -> Classify -> Apply -> Verify

Have You Mastered This Chapter?

- [ ] I can tell cash vs credit instantly.
- [ ] I can recognise non-economic situations.
- [ ] I understand voucher and source documents.
- [ ] I can explain dual effect without memorising.
- [ ] I can classify Personal, Real and Nominal accounts.
- [ ] I know all three golden rules.
- [ ] I can analyse outstanding/advance items.
- [ ] I can find debit and credit with reasons.

CHAPTER 2 COMPLETE

Dual Effect of Transactions and Types of Accounts

SMIT SIR'S FINAL MESSAGE

Do not ask 'Which account is debit?' first. Ask 'What actually happened?' Find the two effects, identify the accounts, classify them, and only then apply the rule. That one habit will make Journal Entries far easier.

Concept Enrichment Sources Consulted:
GSEB Std. 11 Elements of Accounts Chapter 2 (primary exam source)
ICAI Basic Accounting Procedures - Double Entry / Journal Entries
NCERT Financial Accounting-I (supporting concept reference)

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