

CUET · ACCOUNTANCY · CLASS XI · CODE 301

Recording of Transactions - I

CUET unit: Recording of Transactions

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Snapshot

- Operationalises the accounting process: identify a transaction, prepare a source document/voucher, apply the accounting equation, use the rules of debit and credit, journalise, and post to the ledger (NCERT §3, p. 46).
- The accounting equation **A = L + Capital** stays balanced after every transaction; Example 1 works nine transactions that students must be able to redo from memory (NCERT §3.2, p. 50-51; analysis table p. 53).
- The Modern (American) classification splits accounts into five heads — Assets, Liabilities, Capital, Revenues/Gains and Expenses/Losses — each with its debit/credit rules (NCERT §3.3.1, p. 54).
- The Journal is the book of original entry (chronological); the Ledger is the principal book (analytical); posting transfers entries between them (NCERT §3.4-§3.6, p. 60-75).
- Simple vs compound journal entries, and Transaction, Debit, Credit and Journal/Complex vouchers — high-yield areas for CUET source-document and journalising MCQs (NCERT §3.1.1, p. 47-49).
- The full pipeline runs voucher → equation effect → debit/credit rule → journal → ledger; Special Purpose Books (next chapter) subdivides the journal stage.

Detailed Notes

2.1 Core concepts

A **business transaction** is an exchange of economic consideration between parties having a two-fold "give and take" effect that is recorded in at least two accounts (NCERT §3.1, p. 46-47). The first step in recording is preparing a **source document or voucher** — documentary evidence of the transaction. Examples include the cash memo, invoice, sales bill, pay-in-slip, cheque and salary slip; for petty expenses with no documentary support, a voucher is prepared and approved internally. Vouchers must be serially numbered, chronologically arranged and kept in a separate file (NCERT §3.1, p. 47).

Accounting vouchers (NCERT §3.1.1, p. 47-49) come in several types. A **Transaction Voucher** records a simple transaction with one debit and one credit. A **Compound Voucher** records a transaction with multiple debits or multiple credits but only one of the opposite; it is sub-divided into a **Debit Voucher** (one credit, many debits) and a

Credit Voucher (one debit, many credits). A **Complex / Journal Voucher** records a transaction with multiple debits and multiple credits. The essential elements of a voucher — good quality paper, firm name printed on top, date of transaction (not of recording), serial number, accounts to be debited/credited, amount in figures, account-wise description, signatures of preparer and authorised person — are listed in NCERT §3.1.1, p. 49-50.

The **Accounting Equation** (NCERT §3.2, p. 50) is **Assets = Liabilities + Capital** (with the derivative forms $A - L = C$ and $A - C = L$); it is also called the Balance Sheet Equation because it represents the relationship among balance-sheet components. Resources of the business (assets) must equal the claims of those who financed them — the proprietor (capital) plus outsiders (liabilities). Profits increase capital and losses decrease it. Example 1 (NCERT §3.3, p. 53) works through nine transactions — capital introduced, machinery purchased, raw materials bought on credit, salary paid, rent paid in advance, sales for cash, sales on credit, depreciation, drawings — tabulating the new state of $A = L + C$ after each, which always balances. CUET-style MCQs are often built directly from these nine transactions.

The **T-account** and the **rules of debit and credit** keep $A = L + C$ balanced. In a T-account the left side is **Debit (Dr.)** and the right side is **Credit (Cr.)** (NCERT §3.3, p. 52-54). To "debit" is to enter an amount on the left; to "credit" is to enter on the right. The five-fold **Modern (American) classification** of accounts (NCERT §3.3.1, p. 54) supplies the rules: (a) **Asset** accounts — increase debited, decrease credited; (b) **Liability** accounts — increase credited, decrease debited; (c) **Capital** accounts — increase credited, decrease debited; (d) **Expense / Loss** accounts — increase debited, decrease credited; (e) **Revenue / Gain** accounts — increase credited, decrease debited. The two consolidated patterns to memorise are: **Assets + Expenses follow the same rule (increase Dr, decrease Cr)**; **Liabilities + Capital + Revenues follow the opposite rule (increase Cr, decrease Dr)**. Double-entry book-keeping then follows naturally: every transaction affects at least two accounts and total debits must equal total credits (NCERT §3.3, p. 52).

Books of Original Entry — the Journal (NCERT §3.4, p. 60-61). The book in which a transaction is recorded for the first time is the **Journal**; the act is **journalising**; transferring entries from journal to ledger is **posting**. Subdivisions of the journal — Journal Proper, Cash Book, Purchases Book, Sales Book, Purchase Returns Book, Sales Returns Book, Bills Receivable Book and Bills Payable Book — are introduced here and elaborated in keac104. The journal format has five columns (NCERT §3.4.1, p. 61-62): **Date** (date of transaction), **Particulars** (debit account first with "Dr.", credit account on the next line prefixed with "To", and a brief narration in brackets), **L.F. (Ledger Folio)** — left blank when journalising and filled at the time of posting with the page number of the relevant ledger account, **Debit Amount** in rupees and **Credit Amount** in rupees. A **simple journal entry** has one debit and one credit; a **compound journal entry** has multiple debits and/or credits (NCERT §3.4.1, p. 62).

Two practical traps (NCERT §3.4.1, p. 62): first, the **Goods Account is NOT used**; it is split into five accounts — Purchases, Sales, Purchase Returns, Sales Returns and Stock — so a purchase of goods is debited to **Purchases A/c**, not to **Goods A/c**. Second, a **purchase of a fixed asset** (machinery, furniture) is debited to the **asset account**, not to the **Purchases account**, because the **Purchases account** is reserved for goods-in-trade.

The **Ledger** (NCERT §3.5, p. 72) is the **principal book** that contains all accounts; it is the source from which the net balance of any account on any date can be ascertained — information that would be very tedious to extract from the chronological journal. The ledger account format (Fig. 3.6, p. 73) has two equal sides — Dr. on the left, Cr. on the right — each with columns for Date, Particulars, J.F. (Journal Folio), and Amount. Account titles end with the suffix "Account". Accounts in the ledger split (§3.5.1, p. 75) into **Permanent accounts** — Assets, Liabilities, Capital — which are balanced and carried forward and appear in the balance sheet; and **Temporary accounts** — Revenues, Expenses — which are closed at year-end by transfer to the Trading and Profit & Loss A/c.

Posting from Journal to Ledger (§3.6, p. 75). The steps are: (i) locate the relevant account in the ledger; (ii) enter the date of the transaction on the same side as the journal entry indicates; (iii) write in Particulars the name of the **contra account** (the account on the other side of the journal entry), prefixed with "To" on the debit side and "By" on the credit side; (iv) enter the journal page number under J.F.; (v) enter the amount. Journal and Ledger are distinguished (NCERT p. 74): Journal is book of original / first entry — Ledger is book of secondary entry; Journal is chronological — Ledger is analytical; basis of classification in the Journal is the transaction — in the Ledger it is the account; recording in the Journal is called journalising — in the Ledger it is called posting.

The full accounting cycle: voucher → identification → application of equation → application of debit/credit rules → journal entry → posting to ledger → balancing → trial balance (next chapters). Each MCQ targets one node of this pipeline.

2.2 Definitions to memorise

Term	Definition	Page
Business transaction	Exchange of economic consideration between parties with a two-fold (give and take) effect recorded in at least two accounts (NCERT §3.1).	46-47
Source document / Voucher	Documentary evidence of a transaction (cash memo, invoice, pay-in-slip, cheque) on which recording is based (NCERT §3.1).	47
Transaction Voucher	Voucher for a simple transaction having one debit and one credit (NCERT §3.1.1).	47-48
Debit Voucher	Compound voucher with one credit and many debits (NCERT §3.1.1).	48

Term	Definition	Page
Credit Voucher	Compound voucher with one debit and many credits (NCERT §3.1.1).	48
Complex / Journal Voucher	Voucher for a transaction with multiple debits and multiple credits (NCERT §3.1.1).	49
Accounting Equation	$A = L + C$; assets always equal liabilities plus capital; also called Balance Sheet Equation (NCERT §3.2).	50
Capital	Owner's claim on the firm — capital + profits – losses – drawings; shown on liabilities side (NCERT §3.2).	50-51
Debit (Dr.)	Left-hand side of a T-account; to debit is to enter on the left (NCERT §3.3).	52-54
Credit (Cr.)	Right-hand side of a T-account; to credit is to enter on the right (NCERT §3.3).	52-54
Double-entry book-keeping	System in which every transaction affects at least two accounts and total debits equal total credits (NCERT §3.3).	52
Modern (American) Classification	Five-fold classification — Assets, Liabilities, Capital, Expenses/Losses, Revenues/Gains — with rules of Dr/Cr (NCERT §3.3.1).	54
Journal	Basic book of original entry where transactions are first recorded chronologically (NCERT §3.4).	60-61
Journalising	The process of recording transactions in the journal (NCERT §3.4).	60
Narration	Brief description written below a journal entry in brackets (NCERT §3.4.1).	62
L.F. (Ledger Folio)	Column in the journal recording the page number of the ledger account; filled at posting (NCERT §3.4.1).	62
J.F. (Journal Folio)	Column in the ledger recording the journal page number; filled at posting (NCERT §3.5).	73
Simple journal entry	Entry involving exactly two accounts — one debit and one credit (NCERT §3.4.1).	62
Compound journal entry	Entry involving more than one debit and/or more than one credit (NCERT §3.4.1).	62
Ledger	Principal book containing the collection of all accounts (NCERT §3.5).	72
Posting	Process of transferring entries from the journal to individual ledger accounts (NCERT §3.6).	75
Permanent accounts	Assets, Liabilities and Capital accounts — balanced and carried forward (NCERT §3.5.1).	75
Temporary accounts	Revenue and Expense accounts — closed at year-end via transfer to P&L (NCERT §3.5.1).	75

Term	Definition	Page
Balancing of account	Process of finding the difference between the two sides of a ledger account and entering it as Balance c/d (NCERT §3.5).	73-74

2.3 Diagrams / processes to remember

Fig. 3.1 — Specimen Transaction Voucher (NCERT p. 47). One debit + one credit; columns for firm name, voucher no., date, debit account, credit account, amount, narration, prepared-by and authorised-by signatures.

Fig. 3.2 — Specimen Debit Voucher and Credit Voucher (NCERT p. 48).

Compound voucher with one credit + many debits (Debit Voucher) or one debit + many credits (Credit Voucher).

Fig. 3.3 — Specimen Complex / Journal Voucher (NCERT p. 49). Multiple debits AND multiple credits.

Fig. 3.4 — T-account (NCERT p. 54). Left = Debit, Right = Credit; the simplest representation of a ledger account.

Rules of Debit and Credit Chart (NCERT § 3.3.1, p. 54). Five categories with their increase / decrease rules. Mnemonic: Assets + Expenses are debit-natured (increase Dr, decrease Cr); Liabilities + Capital + Revenues are credit-natured (increase Cr, decrease Dr).

Fig. 3.5 — Format of Journal (NCERT p. 61). Date | Particulars | L.F. | Debit (₹) | Credit (₹).

Fig. 3.6 — Format of Ledger Account (NCERT p. 73). Dr. side and Cr. side, each with Date | Particulars | J.F. | Amount.

Example 1 Analysis Table (NCERT p. 53). Demonstrates that after each of the nine transactions, $A = L + C$ is preserved. Memorise transaction order: (1) Capital introduced — $A \uparrow, C \uparrow$; (2) Machinery purchased — Cash \downarrow Machinery \uparrow (within Assets, no net change); (3) Raw materials on credit — Stock \uparrow , Creditors \uparrow ; (4) Salary paid — Cash \downarrow , C \downarrow (expense); (5) Rent paid in advance — Cash \downarrow , Prepaid Rent \uparrow (within A); (6) Sales for cash — Stock \downarrow , Cash \uparrow , C \uparrow (profit); (7) Sales on credit — Stock \downarrow , Debtors \uparrow , C \uparrow (profit); (8) Depreciation — Machinery \downarrow , C \downarrow ; (9) Drawings — Cash \downarrow , C \downarrow .

Posting Process (NCERT § 3.6, p. 75). Five steps: locate account → enter date → enter contra account in Particulars ("To" on Dr side, "By" on Cr side) → enter J.F. (journal page) → enter amount. After posting all entries for the period, balance each account by computing the difference and entering it as Balance c/d on the shorter side; carry forward as Balance b/d to the next period.

Distinction Table — Journal vs Ledger (NCERT p. 74). Four bases — book order (original vs principal), nature (chronological vs analytical), unit of classification (transaction vs account), and the recording verb (journalising vs posting).

2.4 Common confusions / NTA trap points

1. **Goods Account is NOT used.** A purchase of goods is debited to **Purchases A/c**, not to **Goods A/c**. Goods are split into five accounts — **Purchases, Sales, Purchase Returns, Sales Returns and Stock** (NCERT §3.4.1, p. 62).
2. **L.F. column timing.** The L.F. column is filled at **posting**, not at **journalising**; many students fill it at the journalising stage (NCERT §3.4.1, p. 62).
3. **Fixed asset vs Purchases.** Purchase of machinery is debited to the **Machinery** account (asset), not to **Purchases**. The **Purchases** account is reserved for goods-in-trade only (Test Your Understanding-V Q4, NCERT p. 86).
4. **"To" prefix.** "To" is used only for the credit account in a journal entry; the debit account is followed by "Dr.". Debits are always listed first and credits indented below (NCERT §3.4.1, p. 61).
5. **Drawings entry.** Cash withdrawn for personal use is debited to **Drawings A/c** and credited to **Cash**; only at year-end is the **Drawings** balance transferred to **Capital**. Many MCQs short-circuit this by debiting **Capital** directly — NCERT prefers the two-step treatment (NCERT §3.3 Example 1 Tr.9, p. 56).
6. **Debit Voucher vs Credit Voucher.** **Debit Voucher** = one credit, many debits. **Credit Voucher** = one debit, many credits. Students invert these (NCERT §3.1.1, p. 48).
7. **Sale of an old asset is not "Sales".** Sale of old furniture (in a non-furniture business) is credited to **Furniture A/c** (or to **Gain/Loss A/c** for any profit/loss), not to **Sales A/c**.
8. **Date in voucher = date of transaction.** Not the date of recording — a common distractor (NCERT §3.1.1, p. 49).
9. **Rules of Dr/Cr.** Expenses are debit-natured, Revenues are credit-natured — students often try to memorise the older "Real/Personal/Nominal" rules and contradict themselves; stick to the Modern five-fold split (NCERT §3.3.1, p. 54).
10. **A = L + C derivative forms.** NCERT explicitly gives $A - L = C$ and $A - C = L$. CUET asks "which of the following is not a correct form" — students forget the derivatives (NCERT §3.2, p. 50).
11. **Cash discount entry has three accounts.** Receipt from a debtor after cash discount involves debiting **Cash** and **Discount Allowed** and crediting the debtor — a compound entry, not simple.
12. **Permanent vs Temporary accounts.** **Drawings**, although a contra-capital item, behaves like a temporary account in that its balance is transferred to **Capital** at year-end; many students misclassify it (NCERT §3.5.1, p. 75).

2.5 Journal entry templates

The five-fold rule comes alive in journal entries. The templates below cover the most-tested transaction patterns and use the standard **Date | Particulars | L.F. | Dr. (₹) | Cr. (₹)** layout.

(a) Capital introduced (NCERT Example 1 Tr.1, p. 55)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 1	Cash A/cDr.		5,00,000	
	To Capital A/c			5,00,000
	(Being capital brought into the business)			

(b) Cash purchase of fixed asset (NCERT Example 1 Tr.2, p. 55)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 5	Machinery A/cDr.		1,00,000	
	To Cash A/c			1,00,000
	(Being machinery purchased for cash — debited to asset, not Purchases)			

(c) Credit purchase of goods (NCERT Illustration 2 Apr 10, p. 65)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 10	Purchases A/cDr.		20,000	
	To Ritu A/c			20,000
	(Being goods purchased on credit from Ritu)			

(d) Credit sale with cash receipt subject to cash discount (compound entry — NCERT § 3.4.1)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 25	Cash A/cDr.		9,800	
	Discount Allowed A/cDr.		200	
	To Debtor A/c			10,000
	(Being amount received from debtor after 2% cash discount — compound entry)			

(e) Drawings (NCERT Example 1 Tr.9, p. 56)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 28	Drawings A/cDr.		5,000	
	To Cash A/c			5,000

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	(Being cash withdrawn for personal use)			

(f) Salary paid (NCERT Example 1 Tr.4, p. 55)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 30	Salary A/cDr.		15,000	
	To Cash A/c			15,000
	(Being salary paid in cash; expense debited, asset credited)			

(g) Depreciation (NCERT Example 1 Tr.8, p. 55)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Mar 31	Depreciation A/cDr.		10,000	
	To Machinery A/c			10,000
	(Being depreciation charged @ 10% on machinery of ₹1,00,000)			

(h) Sale of old furniture at a gain (not "Sales") (NCERT § 3.4.1 trap)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Jun 10	Cash A/cDr.		12,000	
	To Furniture A/c			10,000
	To Gain on Sale of Furniture A/c			2,000
	(Being old furniture (book value ₹10,000) sold for ₹12,000)			

 **Practice MCQs**

Q1. Which of the following is the correct form of the accounting equation as given in NCERT §3.2?

- A. Liabilities = Assets + Capital
- B. Assets = Liabilities – Capital
- C. Capital = Assets – Liabilities
- D. Capital = Assets + Liabilities

Q2. An accounting voucher prepared for a transaction having multiple debits and multiple credits is called a:

- A. Transaction Voucher
- B. Debit Voucher
- C. Credit Voucher
- D. Complex / Journal Voucher

Q3. Under the Modern (American) classification, an increase in a liability is recorded as a _____ and an increase in revenue is recorded as a _____.

- A. Debit; Debit
- B. Credit; Credit
- C. Debit; Credit
- D. Credit; Debit

 **12 more MCQs + answer key**

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PYQ Alignment

This chapter is the foundation of the "Recording of Transactions" unit and is one of the most heavily tested areas in CUET (UG) Accountancy, typically yielding 6–9 MCQs per paper across 2023-25. Questions usually mix (i) identifying the correct journal entry for a given transaction (purchase of goods, fixed asset, drawings, depreciation, cash discount), (ii) classifying accounts under the Modern five-fold heads with debit/credit rules, (iii) computing the effect of transactions on the accounting equation using Example 1 patterns, and (iv) source-document / voucher identification (transaction voucher vs debit/credit voucher vs complex voucher). One assertion-reason and one match-the-following are almost guaranteed. For drill, see [/pyq/accountancy](#) .