



INDIAN SCHOOL DARSAIT

DEPARTMENT OF COMMERCE



Subject : Accountancy	Topic : Theory Base Accounting – 2	Date of Issue: __/ __/ 2019 Worksheet No.3
Resource Person: JMC		Date of Submission: __/ __/ 2019
Name of the Student : _____	Class & Division : XI ____	Roll Number : ____

1. Distinguish Between Accrual Basis of Accounting And Cash Basis of Accounting

Basis	Accrual Basis of Accounting	Cash Basis of Accounting
Nature of Transactions	This basis records both cash as well as credit transactions	This basis records only Cash transactions
Legal Position	This basis is the only system recognized by the Companies Act 1956	This system is not recognized by the Companies Act 1956
Suitability	This basis is adopted by business enterprises with profit motive	This basis is suitable for professionals like doctors, lawyers etc.
Reliability	It is a reliable basis of accounting because it records all cash as well as credit transactions for calculating Profit/loss	It is not a reliable basis of accounting because only cash transactions are recorded for calculating profit/loss.
Technical knowledge	This basis of accounting is technical because it involves the adjustments of accounts for preparing final accounts	This basis of accounting is simple because it does not require any technical knowledge

2. Distinguish Between Trade Discount And Cash Discount.

Basis	Trade Discount	Cash Discount
Nature	It is allowed on a certain quantity being purchased	It is allowed on payment being made on or before a certain date
Recording	Trade discount is not recorded separately in the books of account.	Cash discount is recorded separately in the books of account.
Deduction from invoice	The amount of Trade discount is deductible from the invoice	The amount of Cash discount is not deductible from the invoice
Nature of Transaction	It is allowed both on cash and credit transactions	It is allowed only on payment.
Consideration	The consideration for allowance is Purchase	The consideration for allowance is Payment
Relation	It is related to Sales and Purchase	It is related to Payment.

3. Differentiate Between 'Profit' And 'Gain' In Accounting.

Profit	Gain
The excess of revenues of a period over its related expenses during an accounting year profit. Profit increases the investment of the owners.	A profit that arises from events or transactions which are incidental to business such as sale of fixed assets, winning a court case, appreciation in the value of an asset.

4. Differentiate Between An 'Expense' And 'Expenditure'.

Basis	Expense	Expenditure
Meaning	Costs incurred by a business in the process of earning revenue are known as expenses.	Spending money or incurring a liability for some benefit, service or property received is called expenditure.
Benefit exhausted	Within one year	More than one year
Examples	depreciation, rent, wages, salaries, interest, cost of heater, light and water,	purchase of machinery, furniture, etc.
