

ANSWER KEY & MARKING SCHEME · CBSE CLASS 11**Introduction to Accounting**

Accountancy · Chapter 1 · Use this with the Board Paper · Companion to Quick Drill

HOW TO USE

Attempt the Board Paper first (closed-book, full time). Then come here. For 2-mark+ questions, compare your answer to the model. For 3-4 mark questions, also consult the **Topper Templates** below — these show the exact step-by-step structure that scores full marks per CBSE marking-scheme conventions.

MODEL ANSWERS · BOARD PAPER**Section A — Objective / VSA (1 mark x 6)****Q1. Define accounting in one line. [1 mark]**

Ans: Accounting is the process of identifying, measuring, recording and communicating the financial information of an organisation to its users for rational decision-making.

Q2. Is capital an asset or a liability of the business? Why? [1 mark]

Ans: A liability — under the business entity concept the business owes the capital back to its owner.

Q3. Name the source document that evidences a transaction. [1 mark]

Ans: A voucher (e.g. cash memo, invoice, receipt).

Q4. State whether a debtor is an asset or a liability. [1 mark]

Ans: An asset — a debtor owes money to the business.

Q5. Give one example of an intangible asset. [1 mark]

Ans: Goodwill (or patents / trademarks).

Q6. Which discount is NOT recorded in the books of account? [1 mark]

Ans: Trade discount.

Section B — Short Answer I (2 marks x 3)**Q7. Distinguish between book-keeping and accounting on any two bases. [2 marks]**

Ans: (1) SCOPE: Book-keeping covers only identifying and recording transactions; accounting additionally classifies, summarises, analyses, interprets and communicates. (2) STAGE: Book-keeping is the first/primary stage and is clerical; accounting begins where book-keeping ends and requires analytical skill. In short, book-keeping is a part of accounting.

Q8. Differentiate between an expense and an expenditure with one example each. [2 marks]

Ans: EXPENDITURE is any spending of money or incurring of a liability to acquire assets/goods/services (e.g. buying a machine = capital expenditure). EXPENSE is the part of expenditure whose benefit is used up in the current period (e.g. rent or salaries paid for the month). Every expense is an expenditure, but not every expenditure is an expense.

Q9. Distinguish between a debtor and a creditor. [2 marks]

Ans: A DEBTOR is a person who owes money TO the business (usually for goods sold on credit) and is shown as an ASSET. A CREDITOR is a person to whom the business OWES money (usually for goods bought on credit) and is shown as a LIABILITY. Memory hook: deb-TOR owes TO us; we owe the credi-TOR.

Section C — Short Answer II (3 marks x 2)**Q10. Explain any three objectives of accounting. [3 marks]**

Ans: (1) SYSTEMATIC RECORD: to maintain a complete, permanent record of all financial transactions so the business does not depend on memory. (2) ASCERTAIN PROFIT OR LOSS: to determine the profit earned or loss incurred during a period by preparing the Trading and Profit & Loss Account. (3) ASCERTAIN FINANCIAL POSITION: to find what the business owns (assets) and owes (liabilities) by preparing the Balance Sheet. (A valid fourth objective is to provide information to users for decision-making.)

Q11. Explain any three qualitative characteristics of accounting information. [3 marks]

Ans: (1) **RELIABILITY:** the information must be verifiable, free from material error and bias, and faithfully represent what it claims. (2) **RELEVANCE:** it must be timely and useful for the decision at hand, influencing the user's judgement. (3) **UNDERSTANDABILITY:** it must be presented clearly so a reasonably informed user can grasp it. (A valid fourth is **COMPARABILITY** — prepared on consistent policies so periods and firms can be compared.)

Section D — Long Answer (6 marks x 2)

Q12. Who are the users of accounting information? Explain the internal and external users (any three of each) and their need for accounting information. [6 marks]

Ans: Users are classified into **INTERNAL** (within the organisation) and **EXTERNAL** (outside). **INTERNAL:** (i) **OWNERS / proprietors / partners** — to know the profit and the return on their investment; (ii) **MANAGEMENT** — for planning, controlling, costing and decision-making; (iii) **EMPLOYEES** — to judge job security and to negotiate wages, bonus and welfare. **EXTERNAL:** (i) **INVESTORS / potential investors** — to decide whether to invest or stay invested based on profitability and safety; (ii) **LENDERS / banks** — to assess the firm's ability to repay before granting a loan; (iii) **CREDITORS / suppliers** — to judge creditworthiness before selling on credit; (other valid external users: government & tax authorities for taxation and regulation, customers for continuity of supply, and researchers/public for economic study). Each user is interested in accounts because the information helps them take a rational economic decision specific to their relationship with the business.

Q13. Define the following basic accounting terms with one example each: (a) Capital (b) Drawings (c) Assets (d) Liabilities (e) Purchases (f) Trade discount. [6 marks]

Ans: (a) **CAPITAL:** the amount of money or value of goods invested by the owner in the business; it is a liability of the business (owed back to the owner). Example: the owner brings in ₹1,00,000 cash. (b) **DRAWINGS:** cash or goods withdrawn by the owner for personal use; it reduces capital and is not an expense. Example: owner takes ₹5,000 for household needs. (c) **ASSETS:** economic resources owned by the business that help it earn revenue, classified as fixed (e.g. machinery) and current (e.g. cash, stock, debtors). Example: a delivery van. (d) **LIABILITIES:** amounts the business owes to outsiders and the owner, classified as long-term (e.g. a bank loan) and short-term (e.g. creditors). Example: ₹20,000 owed to a supplier. (e) **PURCHASES:** buying of goods (stock-in-trade) for the purpose of resale; it excludes buying assets for own use. Example: a cloth merchant buying fabric. (f) **TRADE DISCOUNT:** a reduction in the list price allowed for buying in bulk, deducted on the invoice and never recorded separately in the books. Example: 10% off a list price of ₹10,000, so ₹9,000 is recorded.

★ TOPPER ANSWER TEMPLATES

3 TEMPLATES · MEMORISE THE FORMAT

★ TOPPER TEMPLATE — 3-4 mark: 'Who are the users of accounting information? Distinguish internal from external users.'

Most papers

Step 1 [1 mark]	Open with the two-category framework	State: 'Users of accounting information are broadly classified into INTERNAL users (within the organisation) and EXTERNAL users (outside the organisation).' This framing alone fetches the structure mark.
Step 2 [1 mark]	List internal users + their need	INTERNAL: (i) Owners/proprietors/partners — to know profit and return on investment; (ii) Management — for planning, controlling and decision-making; (iii) Employees — for job security, bonus and wage negotiation. Name at least three.
Step 3 [2 marks]	List external users + their need (the mark-rich part)	EXTERNAL: (i) Investors/potential investors — to decide whether to invest; (ii) Lenders/banks — to assess repaying capacity; (iii) Creditors/suppliers — to judge creditworthiness; (iv) Government & tax authorities — for taxes and regulation; (v) Customers — for continuity of supply; (vi) Researchers & public — for social/economic study. Name at least four with their distinct need.

COMMON LOSS OF MARKS:

- Listing users without stating **WHY** each needs the information.
- Mixing internal and external (e.g. calling banks 'internal').
- Giving fewer than four external users when the question says 'any four'.

★ **TOPPER TEMPLATE — 3-4 mark: 'Explain any four objectives of accounting.'**

Frequent

Step 1 [1 mark]	Systematic recording	To maintain a SYSTEMATIC and complete record of all financial transactions, so that the business does not rely on memory and can verify any past dealing.
Step 2 [1 mark]	Ascertain profit or loss	To determine the PROFIT EARNED or LOSS INCURRED during an accounting period, by preparing the Trading and Profit & Loss Account.
Step 3 [1 mark]	Ascertain financial position	To find the FINANCIAL POSITION of the business — what it owns (assets) and owes (liabilities) — by preparing the Balance Sheet on a given date.
Step 4 [1 mark]	Provide information for decisions	To COMMUNICATE useful information to various users (owners, managers, lenders, government) so they can take rational economic decisions. (Bonus objectives: protecting business assets, meeting legal requirements.)

COMMON LOSS OF MARKS:

- Writing the objective heading but not explaining it in a sentence.
- Listing only two or three when four are asked.
- Confusing 'objective' with 'advantage' — they overlap but the question wants objectives.

★ **TOPPER TEMPLATE — 3 mark: 'Distinguish between book-keeping and accounting' OR 'between trade discount and cash discount' OR 'between debtor and creditor'.**

Frequent

Step 1 [1 mark]	State the basis of distinction	Open each difference with a labelled BASIS (e.g. 'Scope', 'Stage', 'Recording', 'Nature'). Examiners award marks per clearly-labelled basis, not per loose sentence.
Step 2 [1 mark]	Give the left-hand and right-hand contrast	For each basis, write the two sides side-by-side. E.g. SCOPE — Book-keeping: only identifying + recording. Accounting: recording + classifying + summarising + analysing + communicating.
Step 3 [1 mark]	Close with the summary line + example	End with a one-line takeaway and an example. E.g. 'Thus book-keeping is a part of accounting; accounting begins where book-keeping ends.' One example cements the mark.

COMMON LOSS OF MARKS:

- Writing prose paragraphs instead of basis-wise points (loses the structure marks).
- Reversing debtor/creditor or trade/cash discount.
- Not giving an example to anchor the distinction.

MARKING SCHEME — GENERAL NOTES

- For 'distinguish' questions, award marks per clearly-labelled basis of difference, not per loose sentence.
- For definition questions, the precise wording (capital = liability, debtor = asset, purchases = goods for resale) earns the mark; loose synonyms do not.
- An example, where asked, carries part of the mark — answers without the requested example lose that part.
- In list-type answers (users, objectives), award one mark per correct, explained point up to the number asked.
- Reversing debtor/creditor or trade/cash discount is treated as a conceptual error — no mark for that point even if other wording is fine.