

Class 11 Accountancy: Formulas, Rules and Formats

All 9 NCERT chapters (Financial Accounting Part I and Part II) · CBSE syllabus 2026-27 · NCERT textbook (Reprint 2026-27)

How to use this sheet. It collects every formula, rule and format from the NCERT Class 11 Accountancy book (Financial Accounting Part I and Part II). Everything here is in the CBSE 2026-27 syllabus. Chapter 1 (Introduction to Accounting) has no formulas, so it is left out. Chapter numbers match the NCERT textbook. The amber box marked ★ **Syllabus only** covers a topic the 2026-27 syllabus lists but the current NCERT reprint does not print. It uses the standard method, so you are not caught out.

1. Theory Base of Accounting (incl. GST)
2. Recording of Transactions - I
3. Recording of Transactions - II
4. Bank Reconciliation Statement

5. Trial Balance and Rectification of Errors
6. Depreciation, Provisions and Reserves
7. Financial Statements - I
8. Financial Statements - II (adjustments)

2 Theory Base of Accounting

ACCOUNTING EQUATION (DUAL ASPECT)

- $\text{Assets} = \text{Liabilities} + \text{Capital}$
- $\text{Capital} = \text{Assets} - \text{Liabilities}$; $\text{Liabilities} = \text{Assets} - \text{Capital}$
- Expanded: $A = L + C + (R - E)$, where revenues R raise and expenses E reduce capital

GST: WHICH TAX APPLIES

- **Within a state:** CGST + SGST, each half the rate ($18\% = 9\% \text{ CGST} + 9\% \text{ SGST}$)
- **Between states** (and imports): IGST at the full rate ($18\% \text{ IGST}$)
- GST is charged on the price **after trade discount**; freight and cartage charged on the invoice are added before GST

GST: INPUT TAX CREDIT SET-OFF

- $\text{GST payable} = \text{Output GST} - \text{Input tax credit (ITC)}$, worked out separately for CGST, SGST and IGST
- IGST credit is used first against IGST, then CGST, then SGST
- CGST credit is used against CGST, then IGST. SGST credit is used against SGST, then IGST. CGST credit can never be used against SGST, or SGST credit against CGST
- Entry: Output CGST A/c Dr. To Input CGST A/c (set off); the balance is paid to the government (Output GST A/c Dr. To Bank A/c)

BASIC ACCOUNTING CONCEPTS (ONE-LINERS)

- **Business entity:** owner and business are separate. **Money measurement:** only items measurable in money are recorded. **Going concern:** the business will continue. **Accounting period:** results reported per period
- **Cost:** assets recorded at cost. **Dual aspect:** every transaction has two sides. **Revenue recognition:** when the right to receive it arises. **Matching:** expenses matched with the revenue of the same period
- **Full disclosure, consistency, conservatism** (anticipate no profit, provide for all losses), **materiality, objectivity**
- Cash basis: record when cash moves. Accrual basis: record when earned or incurred (better shows the true position)

3 Recording of Transactions - I

RULES OF DEBIT AND CREDIT

Type of account	Increase	Decrease	Normal balance
Assets	Debit	Credit	Debit
Expenses and losses	Debit	Credit	Debit
Liabilities	Credit	Debit	Credit
Capital	Credit	Debit	Credit
Revenues and gains	Credit	Debit	Credit

Drawings reduce capital, so Drawings A/c is debited. Ledger balancing: if the debit side is bigger, the balance is a debit balance ("Balance c/d" on the credit side).

4 Recording of Transactions - II

SPECIAL PURPOSE BOOKS

- **Cash book:** all cash (and bank) receipts and payments. Simple, with bank column, petty cash book
- **Purchases book:** credit purchases of goods only. **Sales book:** credit sales of goods only
- **Purchases return book** (debit notes issued), **Sales return book** (credit notes issued)
- **Journal proper:** everything else (opening/closing entries, credit purchase of assets, rectification, adjustments)

CASH BOOK RULES

- Cash column can never show a credit balance (cash paid cannot exceed cash available)
- Bank column credit balance = bank overdraft
- **Contra entry** ("C" in the L.F. column): cash deposited into or withdrawn from the bank; recorded on both sides
- Trade discount is never recorded; cash discount is recorded



5 Bank Reconciliation Statement

STARTING FROM THE DEBIT (FAVOURABLE) BALANCE AS PER CASH BOOK

Add	Less
Cheques issued but not yet presented for payment	Cheques deposited but not yet credited (collected) by the bank
Interest credited by the bank, not in the cash book	Bank charges and interest on overdraft debited, not in the cash book
Amounts directly deposited by customers into the bank	Payments made directly by the bank (insurance, rent, bills) on standing instructions
Bills collected by the bank, not yet in the cash book	Cheques deposited / bills discounted that are dishonoured

Result: balance as per pass book.

- Starting from the pass book balance instead: reverse every sign (what was added is now deducted)
- Starting from an overdraft (credit balance in cash book / debit in pass book): treat it as a negative figure, or reverse the add/less columns
- Errors: correct an error in the cash book or pass book by adding or deducting so that the balances agree

6 Trial Balance and Rectification of Errors

TRIAL BALANCE (BALANCE METHOD)

- Total of debit balances = Total of credit balances
- Debit:** assets, expenses, losses, drawings, purchases, sales returns
- Credit:** liabilities, capital, revenues, gains, sales, purchases returns, provisions
- Difference in trial balance is put in a **Suspense A/c** until the errors are found

ERRORS AND THEIR EFFECT

- Do not affect** the trial balance: errors of principle, complete omission, compensating errors, recording the wrong amount in a book of original entry, posting to the correct side of a wrong account
- Affect** it: one-sided errors (partial omission, wrong totalling or balancing, posting to the wrong side, wrong amount posted)
- One-sided errors are rectified through the Suspense A/c

RECTIFICATION METHOD

Write (1) the entry that was passed, (2) the entry that should have been passed, then (3) the rectifying entry that turns (1) into (2). For a one-sided error, the missing side goes to Suspense A/c.

7 Depreciation, Provisions and Reserves

STRAIGHT LINE METHOD (SLM)

- Annual depreciation = $\frac{\text{Cost of asset} - \text{Estimated net residual value}}{\text{Estimated useful life}}$
- Rate of depreciation = $\frac{\text{Annual depreciation}}{\text{Acquisition cost}} \times 100$
- Cost includes purchase price + freight + installation and other costs to make the asset ready for use
- Same amount every year; charged on **original cost**

WRITTEN DOWN VALUE METHOD (WDV)

- Depreciation = Book value at the start of the year $\times \frac{\text{Rate}}{100}$
- Book value at year-end = Opening book value – Depreciation
- Amount falls every year; the asset never reaches zero
- Part-year: depreciation $\times \frac{\text{months used}}{12}$ in the year of purchase and the year of sale.

DISPOSAL OF AN ASSET

- Book value on the date of sale = Cost – Accumulated depreciation to that date
- Profit (or loss) on sale = Sale proceeds – Book value on the date of sale
- Charging to asset A/c: depreciation credited to the asset A/c. Provision method: credited to Provision for Depreciation (Accumulated Depreciation) A/c, and the asset stays at cost; on sale the accumulated depreciation is transferred to Asset Disposal A/c (or the asset A/c)

PROVISIONS VS RESERVES

- Provision:** a charge against profit for a known liability or loss of uncertain amount (doubtful debts, taxation, repairs); made even if there is a loss
- Reserve:** an appropriation of profit to strengthen the business; made only out of profit

TYPES OF RESERVES

- Revenue reserve (general or specific) from revenue profits; capital reserve from capital profits (e.g. profit on sale of fixed assets, premium on issue)
- Secret reserve: hidden, by understating assets or overstating liabilities

8 Financial Statements - I

TRADING ACCOUNT

- Cost of goods sold = Opening stock + Purchases + Direct expenses – Closing stock
- Gross profit = Net sales – Cost of goods sold
- Net sales = Sales – Sales returns; net purchases = Purchases – Purchases returns
- Direct expenses: carriage inwards, freight, wages, octroi, import duty, fuel/power for factory

PROFIT AND LOSS ACCOUNT

- Net profit = Gross profit + Other incomes – Indirect expenses
- Operating profit (EBIT) = Net profit + Non-operating expenses – Non-operating losses
- Non-operating: interest on loans, loss by fire, profit/loss on sale of fixed assets.

CAPITAL VS REVENUE

- Capital expenditure:** acquires or improves a fixed asset, benefit over several years (to Balance Sheet). **Revenue expenditure:** day-to-day, benefit in the current year (to Trading A/c). **Deferred revenue expenditure:** revenue in nature, benefit spread over a few years (e.g. heavy advertising)
- Capital receipts:** from owners, loans, sale of fixed assets. **Revenue receipts:** from normal business (sales, commission, interest earned)
- Balance sheet marshalling: in order of liquidity (most liquid first) or permanence (most permanent first)



9 Financial Statements - II (Adjustments)

ADJUSTMENT TABLE: THE TWO EFFECTS OF EACH ADJUSTMENT

Adjustment	Trading / P&L Account	Balance Sheet
Closing stock (outside trial balance)	Credit side of Trading A/c	Current asset
Outstanding expenses	Added to that expense	Current liability
Prepaid expenses	Deducted from that expense	Current asset
Accrued income	Added to that income	Current asset
Income received in advance	Deducted from that income	Current liability
Depreciation	Debit side of P&L	Deducted from the asset
Further bad debts	Added to bad debts (Dr P&L)	Deducted from debtors
Provision for doubtful debts	New provision + bad debts – old provision (Dr P&L if positive)	Deducted from debtors
Provision for discount on debtors	Dr P&L	Deducted from debtors
Abnormal loss (fire, theft)	Credit Trading A/c; insured loss / uninsured loss to Dr P&L	Insurance claim: current asset
Goods taken for personal use	Deducted from purchases	Added to drawings (deducted from capital)
Goods used for staff welfare	Deducted from purchases; added to staff welfare expense (Dr P&L)	–
Interest on capital	Dr P&L	Added to capital
Manager's commission	Dr P&L	Outstanding: current liability

DEBTORS, PROVISIONS AND DISCOUNT

- Good debtors = Debtors – Further bad debts – Provision for doubtful debts
- Provision for discount = Good debtors × rate (never on doubtful debts)
- Charge to P&L for doubtful debts = Bad debts + New provision – Old provision (a negative result is credited to P&L)

MANAGER'S COMMISSION

- On profit **before** charging it (default if not stated):

$$\text{Net profit} \times \frac{\text{Rate}}{100}$$

- On profit **after** charging it:

$$\text{Net profit before commission} \times \frac{\text{Rate}}{100 + \text{Rate}}$$

★ INCOMPLETE RECORDS (STATEMENT OF AFFAIRS)

- Statement of affairs: Capital = Assets – Liabilities, at the start and the end of the year
- Profit = Closing capital – Opening capital + Drawings – Additional capital
- A negative result is a loss. The syllabus excludes the conversion method.

