DOUBLE ENTRY BOOK KEEPING

Double entry is a system of book keeping in which transactions are recorded in both debit and credit sides of account.

The principle of double entry system says “for every debit entry, there must be a corresponding credit entry”. It is the foundation of book keeping.

Credit the giver (cr) and debit the receiver (dr)

Dr	Cr
N	N

Treatment of Asset and Liabilities

1. Assets: Assets are the properties of the business e.g. equipment, land, furniture and fittings, machine etc.

2. Liability: is the amount that the business wed the outsider.

3. Capital: is the amount used in starting a business or amount involved into a business.

Worked Example

1. On January 5, 2010, Ade started a business with N5000 cash

Capital Account

	Jan. 5 cash 5000

Cash Account

Jan. 2 Capital 5000	

2. On Jan.3rd, bought machine N2000 cash

Machine Account

Jan. 3 Cash 2000	

Cash Account

		Jan. 3	Machine	2000

3. Jan 4th paid A. Ngozi N500 by cash

A. Ngozi

Jan 4	Cash	500	

Cash Account

	Jan 4	A. Ngozi	500

4. Janlo sold books for cash N10,000

Cash Account

Jan 10	Sales	10,000	

Sales Account

	Jan 10	Cash	10,000

Expenses – are those items that have been paid for in the business in order to yield revenue e.g. electricity, wages, insurance, salary etc.

Exercise:

Papaluwe Transport Company has a cash balance of N15,000 at Feb. 2009. From the following truncations, open all the necessary ledger account:

Feb. 1	Paid wages by cash	3000
Feb. 4	Paid electricity by cash	1000
Feb. 5	received cash from Felele	5,000
Feb. 10	Paid rent by cash	500