

BAFS Notes

Name: _____

Class: _____ ()

Chapter 3 The Double-entry System

Double-entry bookkeeping is a system by which transactions are entered twice, once on the _____ side of an account and once on the _____ side of another account, and in _____ amounts.

T account/ Account/ Ledger

Title of account					
Date	Details	Amount (\$)	Date	Details	Amount (\$)

Accounting Equation

$$\text{Assets} = \text{Capital} + \text{Revenues} - \text{Expenses} - \text{Drawings} + \text{Liabilities}$$

=

Assets

Expenses

Drawings

Capital

Revenue

Liabilities

Effects of transaction on the accounting equation (3.18)

Mar 1: Started business with \$10,000 cash.					
A	E	D	C	R	L
Mar 3: Bought a lorry for \$6,980 on credit from Super Cars.					
A	E	D	C	R	L
Mar 14: Bought goods for \$6,000 in cash.					
A	E	D	C	R	L
Mar 20: Sold goods for \$9,000 in cash.					
A	E	D	C	R	L
Mar 31: Paid Super Cars the total amount owed in cash.					
A	E	D	C	R	L

2013	\$	2013	\$

2013	\$	2013	\$

2013	\$	2013	\$
------	----	------	----

2013	\$	2013	\$
------	----	------	----

2013	\$	2013	\$
------	----	------	----

2013	\$	2013	\$
------	----	------	----

Balancing off accounts is the process of calculating the _____ balance of each account at the end of a period, usually a _____.

Balancing off accounts periodically can help firms monitor the status of each account more closely.

Steps:

1. Add up the total amount of entries on each side for the month.
2. Find the difference between the two totals. The difference is known as the balance of the account.
3. Enter the balance on the side with a smaller total.
4. Show the totals on both sides at the same level.
5. The balance will be brought down to the opposite side of the account at the beginning of the next month.

Cash					
2019		\$		2019	\$
Jan 1	Capital	300,000		Jan 2	Purchases 80,500
Jan 4	Sales	20,000		Jan 3	Rent 30,000
Jan 10	Trade receivables	36,800		Jan 15	Utilities 5,870
Jan 20	Commission revenue	1,200		Jan 18	Wages 1,700

Classification of account balances

Total of debit entries > Total of credit entries → _____ balance

Total of debit entries < Total of credit entries → _____ balance

Total of debit entries = Total of credit entries → _____ balance

	Assets	Expenses	Drawings	Capital	Revenues	Liabilities
Type of account balance						