

South Tuen Mun Government Secondary School
Business, Accounting and Financial Studies
Double Entry System Review 1

Example One: Assets (buy or sell assets by cash/bank or on credit)

Cash

- 1a) Bought extra equipment for \$20,000 in cash
- 1b) Sold some equipment at its original cost of \$8,000 in cash
- 1c) Returned some equipment of \$500 for cash.

Equipment	Cash
\$	\$

Bank

- 1d) Bought three vans for \$300,000 each by cheque
- 1e) Received a cheque by selling one of the vans for \$185,000
- 1f) Returned a van for its original cost and received a cheque for it.

Vans	Bank
\$	\$

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Example Two A:

Capital (Owner invest resources into the business or withdraw resources for personal use)

Drawings (The resources of a business taken by its owner for personal use)

2a) The owner contributed a private car valued at \$30,000 to the firm

Car	Capital
\$ \$	\$ \$

2b) The owner invested \$600,000 cash into the firm

Cash	Capital
\$ \$	\$ \$

2c) The owner took \$900 in cash from the business bank account for personal use

Bank	Drawings
\$ \$	\$ \$

2d) The owner took \$800 goods from the business for personal use

Purchases	Drawings
\$ \$	\$ \$

2e) The owner took a computer cost \$3,000 from the business for personal use

Computer	Drawings
\$ \$	\$ \$

2f) The owner paid for the rent of \$60,000 using his own money.

Rent	Capital
\$ \$	\$ \$

Example TWO B:
Liabilities (Resources supplied to the business by people other than its owner)

- 2g) The firm borrowed \$20,000 from a bank and immediately deposited the sum into the current account.
- 2h) Use the bank loan to buy a TV for product display at the store
- 2i) Repaid the bank loan by cash

TV	Bank Loan
\$	\$

Bank	Cash
\$	\$

- 2j) Bought some furniture for \$6,000 from 'Little Furniture' on credit.
- 2k) Return furniture of \$300 to 'Little Furniture'
- 2l) Settle the account of 'Little Furniture' by cheque

Furniture	Little Furniture
\$	\$

- 2m) The owner borrowed \$30,000 cash from Loan Shark Co to buy a van for business use.
- 2n) The owner borrowed another \$60,000 from Loan Shark Co and put it in the business account.

Van	Loan Shark Co
\$	\$

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Example THREE A:

Revenue (Income earned from the sale of goods or other sources)

Expenses (Costs incurred to generate revenue)

3a) Received commissions (bank interests/rent/bonus) of \$1,200 by cheque.

Bank	Commissions
\$	\$
\$	\$

3b) Paid water charges (interests/rent/rates/insurance/salaries/motor expenses/gas) of \$50 by cash

Cash	Water charges
\$	\$
\$	\$

3c) Settled “Little Furniture” accounts of \$6,000 by cheque, less a 5 % cash discount.

Bank	Little Furniture
\$	\$
\$	\$

Discounts Allowed	Discounts Received
\$	\$
\$	\$

3d) “Discounted Furniture” settled its accounts of \$20,000 with us by cheque, less a 5% cash discount

Bank	Discounted Furniture
\$	\$
\$	\$

Example THREE_B:

Balancing off accounts

	\$		\$
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	\$		\$
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Example FOUR A:

Credit Purchases (Expenses) (Credit arising from the purchase of goods)

Purchases account: A 'purchase' account is opened to record *purchases of goods*.

Goods are purchased for 'resale' at a profit, while other 'assets' are purchase for **use** in the business (e.g. administration, production, selling and distribution, etc)

Trade Creditor /Account payable (Creditor who the firm purchase goods from on credit)

Returns Outwards (To record the 'return' of goods purchased to creditor)

Discounts Received (Income) (Discounts received by paying early to creditor)

4a) Purchased goods of \$80,000 on credit from 'Sunny Trading'.

Purchase	Sunny Trading
\$	\$

4b) Returned some faulty goods costing \$10,000 to 'Sunny Trading'.

Returns Outwards	Sunny Trading
\$	\$

4c) Settle the account with 'Sunny Trading' by cheque, less a 5% cash discount.

Bank	Sunny Trading
\$	\$

Discounts Received	
\$	\$

Example FOUR B:

Cash Purchases (Purchase goods using cash)

Purchases account: A 'purchase' account is opened to record *purchases of goods*.

Returns Outwards (Return of goods purchased to supplier)

4d) Purchased goods of \$6,000 with cash from 'Sunny Trading'.

Cash		Purchases	
\$	\$	\$	\$

4e) Returned some faulty goods costing \$2,000 to 'Sunny Trading' and got a cash refund

Cash		Returns Outwards	
\$	\$	\$	\$

\$	\$	\$	\$
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\$	\$
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Example FIVE A:

Credit Sales (Income) (Credit arising from the sales of goods)

Sales account: A 'sales account is opened to record *sales of goods*.

Trade Debtors /Account receivable

(The firm sold goods to debtors on credit, who will pay later)

Returns Inwards (Account to record the 'Return' of goods by debtors)

Discounts Allowed (Expenses) (Discounts offer to debtors to encourage them to pay earlier)

5a) Sales of goods of \$80,000 on credit to 'Lim Ltd'.

Lim Ltd	Sales
\$	\$

5b) 'Lim Ltd' returned some faulty goods costing \$10,000.

Lim Ltd	Returns Inwards
\$	\$

5c) 'Lim Ltd' Settled the account with us by cheque, less a 5% cash discount.

Lim Ltd	Bank
\$	\$

Discounts Allowed
\$

Example FIVE B:

Cash Sales (Sold goods to customers and receive cash)

Sales account: A 'sales account is opened to record *sales of goods*.

Returns Inwards (Customers return goods sold to them)

5d) Sold goods for \$7,000 in cash to Mr. Bean.

Mr. Bean		Sales	
\$	\$	\$	\$

5e) Mr. Bean returned some faulty goods costing \$5000 to and requested an on-line transfer

Mr. Bean		Bank	
\$	\$	\$	\$

\$	\$	\$	\$
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\$	\$
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