The rules and principles of double entry

What is Double Entry?

The whole concept of double entry process is to record business transactions. Each transaction must have a dual aspect (meaning all transactions needs to be both debited and credited). We record transactions in a ledger account (also called a 'T' account). Each account in the ledger will occupy a separate page; in a computerised system, the ledger will consist of a computer file, divided into separate accounts.

The main accounts that are used are: bank, cash, capital, expenses, income, drawings and loans. A useful acronym to remember is DEAD CLIC. The acronym helps you remember what would be debited or credited in the ledger accounts.

D Debit	C Credit
E Expenses	L Liabilities
A Assets	I Income
D Drawings	C Capital

The following points are necessary when completing double entry:

- Records are kept on T-Accounts
- Each account should be shown separately
- The left hand side of the account is the Debit side
- The right hand side of the account is the Credit side
- The title of each account is written across the account at the centre

Basic rules of Double Entry

Usually a transaction would increase or decrease the Asset, Liability and Capital.

Accounts	**To Record**	**Entry in the account**
Assets	1. An increase 2. A decrease	1. Debit 2. Credit
Liabilities	1. An increase 2. A decrease	1. Credit 2. Debit
Capital	1. An increase 2. A decrease	1. Credit 2. Debit

This is an example of double entry booking.

Dr **Bank Account** **Cr**

Date	**Detail**	**£**	**Date**	**Detail**	**£**
1 Feb	Capital	3,000	3 Feb	Purchases	100
2 Feb	Sales	250	5 Feb	Wages	150
7 Feb	Sales	300	12 Feb	Purchases	200
15 Feb	J Walters loan	1,000	20 Feb	Computer	1,950
25 Feb	Sales	150	27 Feb	Wages	125

Dr **Capital Account** **Cr**

Date	**Detail**	**£**	**Date**	**Detail**	**£**
			1 Feb	Bank	3,000

Dr **Sales Account** **Cr**

Date	**Detail**	**£**	**Date**	**Detail**	**£**
			2 Feb	Bank	250
			7 Feb	Bank	300
			25 Feb	Bank	150

Dr **Purchases Account** **Cr**

Date	**Detail**	**£**	**Date**	**Detail**	**£**
3 Feb	Bank	100			
12 Feb	Bank	200			

Dr **Wages Account** **Cr**

Date	**Detail**	**£**	**Date**	**Detail**	**£**
5 Feb	Bank	150			
27 Feb	Bank	125			

Dr **J Walters: Loan Account** **Cr**

Date	**Detail**	**£**	**Date**	**Detail**	**£**
			15 Feb	Bank	1,000

Dr **Computer Account** **Cr**

Date	**Detail**	**£**	**Date**	**Detail**	**£**
20 Feb	Bank	1,950			