**3rd term JSS1 Business Studies**

Double Entry Book-keeping

Journals; Ledgers; Classification of Accounts

Introduction to Keyboarding

Parts of a Computer Keyboard

Care of the Computer; Correct Keyboarding Techniques

(Home Row Keys (Keyboarding Applications)

(Alphanumeric Keys (Keyboarding Applications)

(Basic Service Keys (Keyboarding Applications)

(Correct Spacing and Punctuation Marks (Keyboarding Applications)

(Business Studies Upper Basic 7 Third Term Examination (Mock)

## DOUBLE ENTRY BOOK-KEEPING

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### Meaning of Double Entry Book-keeping

Double entry book-keeping means that every debit entry must have a corresponding credit entry. This is a principle or rule that is followed globally in book-keeping system.

## Further Explanation

The fundamental concept of accounting is that every business transaction in money or money-worth has two effects: the receipts of a benefit by one account and the giving of a like benefit by another account. Thus, if a value is given, it is also received. The meaning of this is that where there is a giver, there is also a receiver who is called a debtor. The first Golden Rule of bookkeeping therefore states that, **you debit the receiver and credit the giver.**

In the process of debiting the account receiving the value and crediting the account surrendering the value, you end up recording every transaction twice, once as a debit entry and again as a credit entry. In effect, **every credit entry must have a corresponding debit entry, and every debit must have a corresponding credit entry.**

| | | |
|---|---|---|
| | DR | CR |
| | | |
| | | |

The double entry system divides the page into two halves as shown above. Every business that is established must have assets, liabilities, and capital

**An Asset is anything of value that is owned by a business. A liability is an amount owed by a business to others, while Capital is the total investment in a business.**

Therefore, an account is opened for every asset owned by a business and every liability owed by the business. Each account has a separate title and page given to it.

## Double Entry Treatment of Asset

**Example:** Olundi, a wood seller, started business on January 1 with ₦5000 in cash. He purchased the following to enable him run the business.

Jan 9. He bought furniture from Londa & Co. Ltd. For ₦2000 in cash

Jan 12. He bought office equipment from Banuna & Co. Ltd. For ₦1000.

**Solution:**

Jan 1. B. Olundi started business with ₦5000 cash as capital. With this introduction of ₦5000 into the business, two accounts should be opened. The capital account gave the money and should be credited, while the cash account received the money and should be debited.

Jan 9. On the purchase of furniture from Londa & Co. Ltd. For cash, the cash account will be credited because the account gave out the money, while the furniture Account will be debited for receiving the value of ₦2000.

Jan 12. He purchased office equipment from Banuna & Co. Ltd. The office account will be debited for receiving the value of ₦1000 while the cash account will be credited for giving the money.

**Cash Account**

| | | |
|---|---|---|
| | | |
| | **DR** | **CR** |
| | Jan 1. To capital a/c 5000.00 | Jan 9. Furniture 2000.00 |
| | | Jan 10.Office equipment a/c 1000.00 |
| | | 31 Balance c/d 2000.00 |
| | 5000.00 | 5000.00 |
| | | |
| | | |
| | Feb 1. 2000.00 | |
| | | |

**Capital Account**

| | | |
|---|---|---|
| | | |
| | DR | CR |
| | | ₦ |
| | | Jan1. To cash a/c 5000 |
| | | |

**Furniture Account**

| | | |
|---|---|---|
| | | |
| | DR | CR |

| | | |
|---|---|---|
| | | |
| | ₦ | |
| | Jan 1. To cash a/c<br>2000.00 | |
| | | |

**Office Equipment Account**

| | | |
|---|---|---|
| | | |
| | DR | CR |
| | ₦ | |
| | Jan. 12 to cash a/c<br>1000.00 | |
| | | |

## Double Entry Treatment of Liabilities

Liabilities are debts owed...