



# NDOLA TRUST SCHOOL

(Ndola Trust School Limited)

*“Success through Hard Work”*

www.ndolatrustschool.edu.zm



## BUSINESS STUDIES

### PRINCIPLE OF DOUBLE ENTRY

A Transaction is any activity involving the exchange of goods and services for money.

In the principle of double entry for every transaction there are two effects. The receiving aspect and the giving aspect. This means that a bookkeeping entry will have to be made to show an increase or decrease of one item and another decrease or increase of the other item

- To show the **receiving (increasing)** aspect in a transaction we **Debit** and to show the **giving (loss)** we **Credit**.

DEBIT	CREDIT
➤ WHO HAS RECEIVED	➤ WHO GAVE
➤ WHAT HAS RECEIVED	➤ WHAT IS GIVEN
➤ WHAT IS ALREADY THERE	➤ WHO LOST

### JOURNALIZING A TRANSACTION

- Is to show which account will be **debited** and which account will be **credited** when posting to the ledger.
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### EXAMPLE

From the following transactions identify which item is debited and which item is credited.

**1. 1 January 2020 Bought goods by cash K5000**

The double entry effect is **Bought goods** which is **Purchases** and **Cash**

In this transaction the Purchases is **Receiving** because the Business has received the goods (**increase**) while cash is giving (**losing money value**) because the business paid cash for the goods to the **supplier of goods**. It will appear as:

<b>Purchases –K5000</b>	<b>Cash ----K5000</b>
<b>(receiving)</b>	<b>(giving)</b>
<b>Debit</b>	<b>Credit</b>

**Therefore:**

**DEBIT – Purchases K5000**

**CREDIT – Cash K5000**

**2. 3 January 2020 Sold goods by cash K7000**

The double entry effect is **sold goods** which is **Sales** and **Cash**

In this transaction Cash is **receiving value** because the business has **received** cash after selling goods (**increase**) while Sales is giving (**losing goods**)

<b>Cash –K7000</b>	<b>Sales --- K7000</b>
<b>(receiving)</b>	<b>(giving)</b>
<b>Debit</b>	<b>Credit</b>

**Therefore:**

**DEBIT – Cash K7000**

**CREDIT- Sales K7000**

**3. Bought motor vehicle by cheque.**

**The double entry effect is Motor vehicle and Bank.**

In this transaction is **Motor Vehicle** is **receiving (increase in asset)** because the business has received a **Motor vehicle** and **Bank** is **giving (losing value)** because the business is paying using a cheque.

<b>Motor vehicle</b>	<b>Bank</b>
<b>(receiving)</b>	<b>(giving)</b>
<b>DEBIT</b>	<b>CREDIT</b>

**Therefore:**

**DEBIT— Motor vehicle K20 000**

**CREDIT- Bank K20 000**

**INSTRUCTIONS:**

1. Copy the notes above in your note book and write the Exercise below.
2. Hand in your note books in School in the Grade 8 inbox in the waiting bay.

**EXERCISE**

**State account to be debited and credited in the following transactions:**

- 1 January 2020 Bought goods by cash K2 000
- 5 January 2020 Sold goods by cash K5 000
- 7 January 2020 Bought Shop fitting for K700, paying by cheque
- 10 January 2020 Paid wages by cheque K3 000
- 12 January 2020 Paid K500 cash into bank

