Fundamental Principles of Double Entry.

Double Entry Bookkeeping is almost universally used by commercial houses for recording their accounts. As already stated it is based upon the law of Debt and Credit, which may be briefly outlined as follows :

Debit.

19. Debit or charge an account when the thing represented is *received* into the business or *costs* value.
  When money is received Cash Account is debited.
  When goods are received Merchandise is debited for the cost price.
20. The cost for salaries, rent, postage and similar expense outlays is charged to an account or accounts kept for the purpose.
21. Personal Accounts are debited when persons dealing with the firm obtain value without giving equal value in return at the same time.

Credit.

22. Credit an account when the thing represented is *disposed* of or *produces* value.
  When money is paid out Cash Account is credited.
  When goods are sold Merchandise Account is credited with the selling price.
23. When value is due to or received by the firm for the *use* of its money, its property or services, accounts representing these are credited.
24. Personal Accounts are credited when persons dealing with the firm give value without receiving equal value in return at the same time.

A condensed table embodying the above information will be found on page 31. This outline must be memorized if substantial progress is to be made in the study of bookkeeping.

Transactions involving Cash, Merchandise and Capital Accounts will now be given. The student is to arrange the work in accordance with the detailed instructions given below regarding these accounts.

CASH ACCOUNT.

This account is used to show the receipts and payments of cash and the amount on hand. The term Cash includes current money and anything that for commercial purposes serves as such, As, for example : Post Office Orders, Postal Notes, Express Orders, Cheques, etc.

Cash.

25. Debit Cash to amount on hand at the beginning of business.
  For all cash afterwards received.

26. Credit Cash when paid and for checks issued when bank account is not kept in the Ledger.

Summary.

Debit Cash for all receipts of same.

Credit Cash for all disbursements.

EXAMPLES OF BUSINESS TRANSACTIONS AFFECTING CASH.

CASH.

19—					19				
Sept.	1		2000	00	Sept.	2		515	25
"	5		310	25	"	10		416	32
"	15		275	85	"	12		125	00
"	18		[illegible]	10	"	20		11	75
					"	21		18	50
					"	21		5	00
					"	25		3	75
								[illegible]	7
			2758	20				2758	20
Oct	1	Balance	1032	72					
		Pencil footing							