**Double entry bookkeeping – Illustration 1**

1. On 1January, Nesha used £15,000 to start a business, NL Carpets (NLC).

**Dual effect**

|  |  |  |
| --- | --- | --- |
| NLC has INCREASED its bank balance by £15,000 | Bank is an ASSET  An increase in an asset = DEBIT  (money received in) | DEBIT Bank £15,000 |
| NLC owes Nesha (owner) £15,000 | Liability to the owner is CAPITAL  An increase in capital = CREDIT | CREDIT Capital £15,000 |

This transaction is entered into the relevant ledger accounts:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DEBIT | | BANK | | | | CREDIT | | |
| Date | Ledger account | | Amount £ | Date | Ledger account | | Amount £ |  | |
| 1/1 | Capital | | 15,000 |  |  | |  | DEBIT Bank £15,000 | |

The bank account has been DEBITED and the cross reference to the capital account allows users to trace the credit side of this transaction.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DEBIT | | CAPITAL | | | | CREDIT | | |
| Date | Ledger account | | Amount £ | Date | Ledger account | | Amount £ |  | |
|  |  | |  | 1/1 | Bank | | 15,000 | CREDIT Capital £15,000 | |

The capital account has been CREDITED and the cross reference to the bank account allows users to trace the debit side of this transaction.