**Double entry bookkeeping example – Illustration 2**

2. On 2January, NLC paid £500 for rent on the premises for the month of January by bank transfer.

**Dual effect**

|  |  |  |
| --- | --- | --- |
| NLC has incurred an EXPENSE for rent of £500 | Rent is an EXPENSE  An increase in an expense = DEBIT | DEBIT Rent £500 |
| NLC has spent £500 from the bank, DECREASING the bank balance. | Bank is an ASSET  A **decrease** in an asset = CREDIT  (money paid out of the bank) | CREDIT Bank £500 |

This transaction is added into the relevant ledger accounts:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DEBIT | | BANK | | | | CREDIT | | |
| Date | Ledger account | | Amount £ | Date | Ledger account | | Amount £ |  | |
| 1/1 | Capital | | 15,000 | 2/1 | Rent expense | | 500 | CREDIT Bank £500 | |

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DEBIT | | RENT EXPENSE | | | | CREDIT | | |
| Date | Ledger account | | Amount £ | Date | Ledger account | | Amount £ |  | |
| 2/1 | Bank | | 500 |  |  | |  | DEBIT Rent £500 | |

The previous transactions remain in the ledger accounts, with new transactions added in using the dual effect to ensure a DEBIT and CREDIT of equal value are included.