**Double entry bookkeeping example – Illustration 4**

4. On 4January, NLC sold £5,000 of carpets on cash terms, the funds were immediately banked.

**Dual effect**

|  |  |  |
| --- | --- | --- |
| NLC has received £5,000 into the bank account | Bank is an ASSET  An increase in an asset = DEBIT  (Money received into the bank) | DEBIT Bank £5,000 |
| NLC has made sales of £5,000 | Sales are INCOME  An increase in income = CREDIT | CREDIT Sales £5,000 |

This transaction is added into the relevant ledger accounts:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DEBIT | | BANK | | | | CREDIT | | |
| Date | Ledger account | | Amount £ | Date | Ledger account | | Amount £ |  | |
| 1/1  4/1 | Capital  Sales | | 15,000  5,000 | 2/1 | Rent expense | | 500 | DEBIT Bank 5,000 | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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 | | | PURCHASES | | | CREDIT | | |
| Date | Ledger account | Amount £ | | Date | Ledger account | | Amount £ |  | |
| 3/1 | Trade payables | 1,200 | |  |  | |  |  | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DEBIT | | TRADE PAYABLES | | | | CREDIT | | |
| Date | Ledger account | | Amount £ | Date | Ledger account | | Amount £ |  | |
|  |  | |  | 3/1 | Purchases | | 1,200 |  | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DEBIT | | SALES | | | | CREDIT | | |
| Date | Ledger account | | Amount £ | Date | Ledger account | | Amount £ |  | |
|  |  | |  | 4/1 | Bank | | 5,000 | CREDIT Sales £5,000 | |