**Double entry bookkeeping example – Illustration 5**

5. On 5 January, NLC sold £3,000 of carpets on credit terms to a customer. The funds are due to be received in April. The customer is not paying immediately, this creates a trade receivable (trade debtor).

**Dual effect**

|  |  |  |
| --- | --- | --- |
| NLC is owed £3,000 by a credit customer, known as a trade receivable (or trade debtor) | Trade receivables are an ASSET  An increase in an asset = DEBIT | DEBIT Trade receivables £3,000 |
| NLC has made sales of £3,000 | Sales are INCOME  An increase in income = CREDIT | CREDIT Sales £3,000 |

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 | | 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  5/1 | Bank  Trade receivables | | 5,000  3,000 | CREDIT Sales £3,000 | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DEBIT | | TRADE RECEIVABLES | | | | CREDIT | | |
| Date | Ledger account | | Amount £ | Date | Ledger account | | Amount £ |  | |
| 5/1 | Sales | | 3,000 |  |  | |  | DEBIT Trade receivables £3,000 | |