

## Objectives

In studying the classification of accounts, students should be able to:

- Identify different classes of accounts;
- Explain different classes of accounts.

### 8.1 Introduction

This section deals with classification of accounts which are derived from the widely accepted accounting concept of double-entry principle. Accounts may be classified into two namely: personal and impersonal accounts. Impersonal accounts are further sub-divided into: real and nominal accounts.

### 8.2 Personal Accounts

Accounts of individuals, firms and companies who may be suppliers or customers, creditors or debtors are grouped under personal accounts.

For example, A. Osu, an individual, is a debtor while Imeh Etuk, an individual is a creditor.

If Isaac Udokanga purchases some building materials on credit for 2,500 from Ogunjimi Enterprises Company Ltd., an account will be opened in the book of Isaac Udokanga for the company as a creditor. All these are examples of personal accounts. In applying the rule of double-entry; the receiver of value is debited while the giver is credited.

### 8.3 Impersonal Accounts

Impersonal accounts are the accounts of non-persons. This account is further sub-divided into:

(i) real account (ii) nominal account

#### Real Accounts

Real accounts are opened for tangible items that we can see, touch or move. Examples are land, building, machinery, furniture, stock of goods and cash. In other words, these can be cash account, bank account, motor vehicle account, furniture and fitting account, land and building account, etc. In applying the rules of double-entry to the real accounts, the concern of a book-keeper is with the value itself and not with the giver or receiver. When there is an increase in the value of a real account, the account is debited with the amount. Where there is a decrease in the value, the account is credited with the amount.

For example, a cash purchase, that is, an addition of 1,000 worth of typewriter will be debited to typewriter account to show increase in value and credited to the cash account to show decrease in value.

Dr	Cash Account	Cr
	Typewriter a/c	₦1,000

Dr	Typewriter Account	Cr
Cash a/c	₦1,000	

The above entries remind us of the rules that for every debit entry in book-keeping, there is a corresponding entry credit and vice versa.

## 8.4 Nominal Accounts

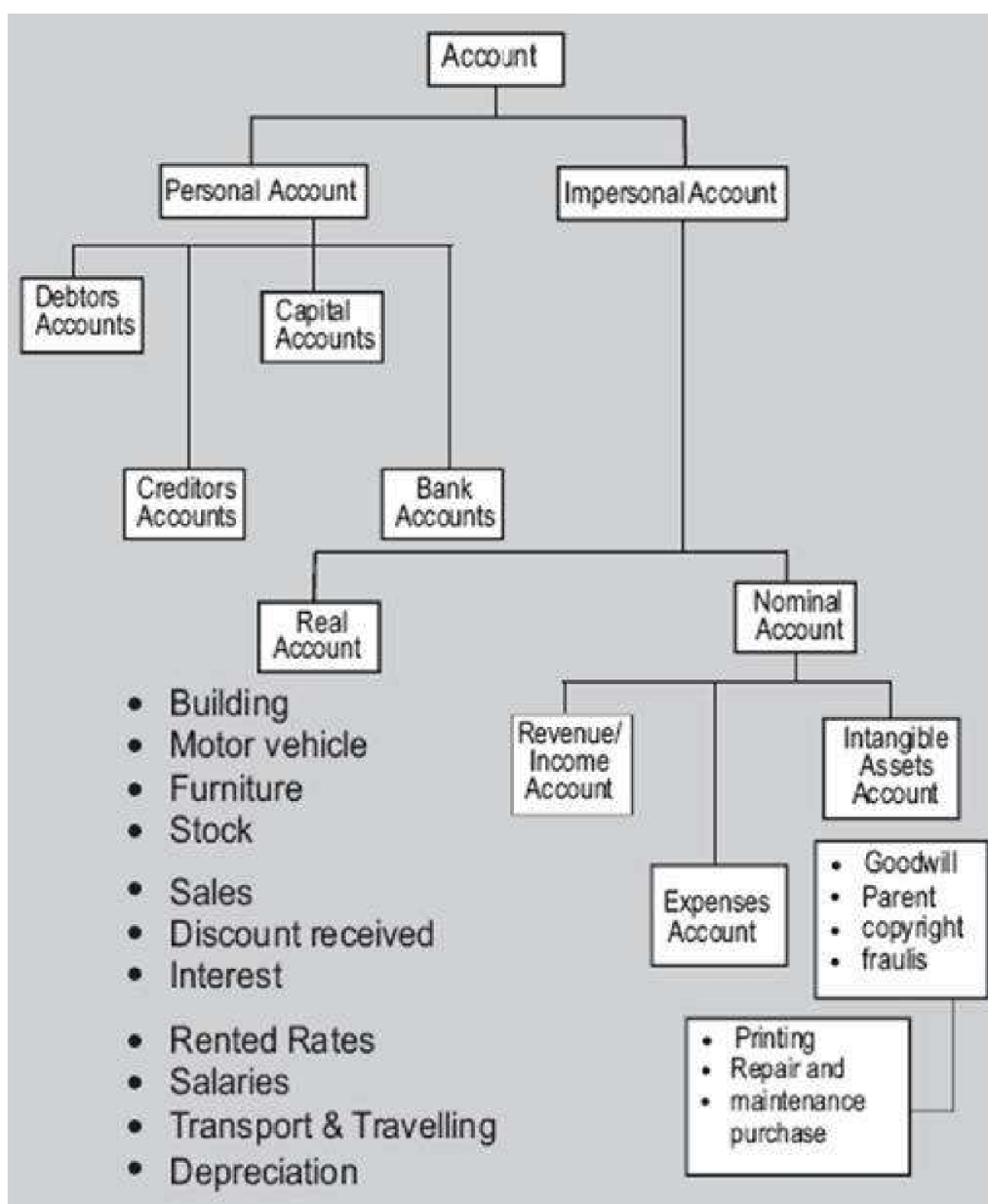
These are accounts of income and expenditure items. Income relates to gain while expenditure relates to loss. Examples of expenditure include wages, rents, rates, postages, purchases, etc. While those of income include discount received, interest received, commissions received, sales, etc. In applying the rule of double-entry, expenses account is debited while income account is credited. For example, if wages N200 are paid by a trader and commission received by him is N50 the two nominal accounts will appear as follows:

Dr	Wages A/c	Cr
Cash	₦200.00	

Dr	Commission received A/c	Cr
	Cash	₦50.00

When nominal accounts are closed, the balances are transferred to either the trading account or the profit and loss account.



## 8.4 Sub-division of a Ledger

You learnt earlier that a ledger is a book of account. If only one ledger is kept as it is found in small business organisations, we may find all the above accounts there. But when accounts are many as it is found in large organisations, it may not be possible to open a single ledger for all of them. Thus, a ledger may be sub-divided into several books to accommodate each class of accounts. This sub-division may include:

- i. Creditors' Ledger: This is otherwise referred to as a Bought or Purchases Ledger and contains the accounts of all creditors.
- ii. Debtors Ledger: This is otherwise referred to as Sales Ledger and contains accounts of debtors.
- iii. Impersonal Ledger: This is otherwise known as General Ledger which contains accounts of real and nominal items.
- iv. Private Ledger: This is a part of the General Ledger and it accommodates the capital accounts, drawings accounts of the proprietor, loans account, trading, profit and loss accounts.

## 8.5 Summary

In this chapter, students have learnt that:

- Accounts are classified into personal accounts and impersonal accounts which can be sub-divided into real and nominal accounts:
- There are various types of ledgers which include creditor, debtors, personal and private ledgers.

## **8.5 Revision questions**

1. Explain the following accounting terms:

(i) Personal account

(ii) Impersonal account

2. Group the following accounts into personal, real and nominal accounts:

Purchases, Sales, R. Okonkwo & Sons, Rent, Interest paid,

Discount received, H. Suleman, J. Ekpo, land, Cash,

Furniture, Motor vans, Stock