

Double Entry System

Every transaction has two effects. For example, if someone transacts a purchase of a drink from a local store, he pays cash to the shopkeeper and in return, he gets a bottle of drink. This simple transaction has two effects from the perspective of both, the buyer as well as the seller. The buyer's cash balance would decrease by the amount of the cost of purchase while on the other hand he will acquire a bottle of drink. Conversely, the seller will be one drink short though his cash balance would increase by the price of the drink.

Traditionally, the two effects of an accounting entry are known as Debit (Dr) and Credit (Cr). Accounting system is based on the principal that for every Debit entry, there will always be an equal Credit entry. This is known as the Duality Principal.

Debit entries are ones that account for the following effects:

- Increase in assets
- Increase in expense
- Decrease in liability
- Decrease in equity
- Decrease in income

Credit entries are ones that account for the following effects:

- Decrease in assets
- Decrease in expense
- Increase in liability
- Increase in equity
- Increase in income

It's a fundamental concept encompassing accounting and book-keeping in present times. Every financial transaction has an equal and opposite effect in at least two different accounts.

Equation can be: **ASSETS = LIABILITIES + EQUITY**

Mr. Alam is a sole trader. During the first month of operation of her business, the following events and transactions occurred.

- May 1 Mr. Alam invested Tk 22000 cash.
- May2 Hired a secretary –receptionist at a salary of Tk 2000 per month.
- May 3 Purchased Tk 2500of supplies on account from Read Supply Company
- May 4 Paid office rent Tk 900 cash for the month.
- May11 Received TK 3500 advance on a management consulting engagement.
- May 17 Received TK 1200 cash for services completed for H.Arnold Co.
- May31 Paid secretary –receptionist TK 2000 salary for the month.
- May 31 Paid 40%of balance due Read Supply Company.

Instructions:

Journalise the transactions