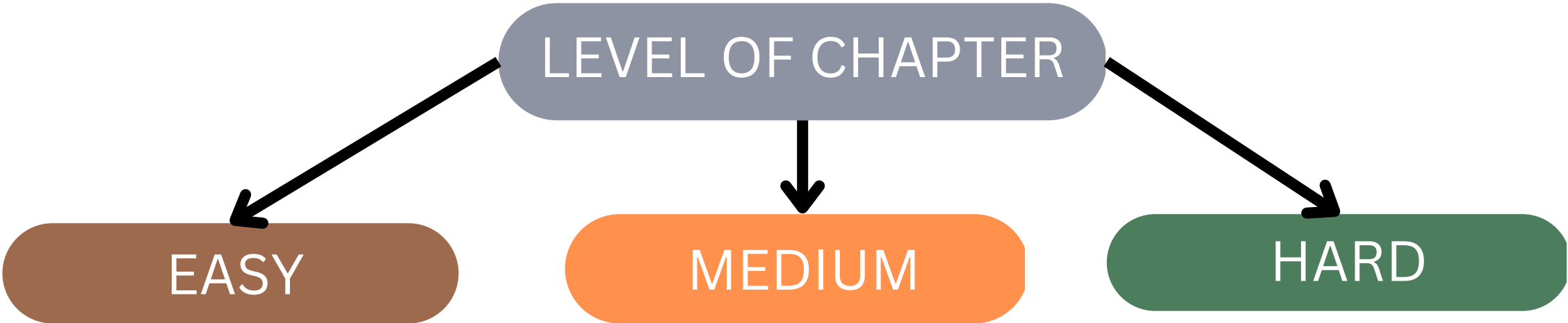


# DOUBLE ENTRY SYSTEM



## Double Entry System:

### Meaning:

- o It is a complete system of recording transaction in the books of accounts.
- o Each transaction reveals two aspects:
  - i. receiving or incoming or expenses/loss aspect known as debit aspect and
  - ii. giving or outgoing or income/gain aspect known as credit aspect.

### Features:

- o It maintains a complete record of each transaction by recognizing two-fold aspect of every transaction i.e., the receiving and giving aspect.
- o It follows the rule of debit and credit and therefore, for every transaction, one aspect is debited and the other aspect is credited.
- o It ensures that for every debit there is a corresponding credit and therefore, at the end of a particular period the total of all debits will be equal to the totals of all credits which ensures the arithmetical accuracy of the records maintained.

### Stages:

- o Record all the financial transactions in the Journal.
- o Classify the recorded transactions by posting them to the appropriate ledger accounts.
- o Prepare a Trial Balance using the debit and credit balances of all the ledger accounts.
- o Close the books and prepare the final accounts comprising of the necessary statements.

### Advantages:

- o It is scientific system of recording transactions which helps in attaining the accounting objectives.
- o It is a complete record of transactions as it takes into consideration both debit and credit aspects of every transaction.
- o It ensures arithmetical accuracy of accounting records by preparing a Trial Balance.
- o It determines correct profit or loss for a particular accounting period by preparing Profit and Loss Account.
- o It provides correct information of the financial position of an entity on a particular date by preparing Balance Sheet on that date.
- o It facilitates comparison of an entity's financial performance over a period of time.
- o It assists the management in taking correct functional and financial decisions.
- o It helps in detecting errors and frauds and thereby prevents the wastage of resources.