

Double-entry bookkeeping systems

Finance



Double Entry Bookkeeping System Double Entry Bookkeeping System The Double Entry Book keeping system is a formal set of rules and procedures set up within the field of financial accounting in order to ensure that errors may not be committed while recording the day to day transactions that a business processes. The double entry system has certain rules which clearly specify that a transaction may be recorded twice in their respective journal or ledger account. The transaction would be entered in their respective ledger account with one entry being posted on the debit side of an account ledger whilst the other being post on the credit side of its respective account. Both the debit and the credit sides were introduced in order to ensure that errors were not committed and this would further be proofed when the debit and the credit sides would match at the end of the specified accounting period. In case the debit and the credit sides do not match at the end of the accounting period, there is a severe possibility that an error has been committed. The entries are recorded within three broad classifications; Assets, Liabilities and Equity/Capital. Hence the equation is:

Capital = Assets - Liabilities.

Though the double entry system has been created to avoid errors and misstatements, there are several ways through which errors are committed although the double entries are made correctly. Those errors pre-dominantly include these factors:

When the amount is wrongly entered.

When the entry is total omitted.

When posting are not made in the correct ledgers accounts.

The book keeping system, nowadays, is usually carried out through sophisticated computer accounting softwares. These softwares require

<https://assignbuster.com/double-entry-bookkeeping-systems/>

appropriate training for their operation and hence it makes it difficult for an amateur to properly understand the double entry book keeping system using such accounting softwares (Mason, 2008).

References

Mason, R. (2008). *Bookkeeping and accounting*. London: Hodder Arnold.