2.2 Double entry and ledgers

Name: _____ Class: _____ Date: _____ **Total: 20 marks**

KEY WORDS double entry • debit • trial balance

Objective

Post transactions to T-accounts with correct sides, extract a trial balance, and locate and correct posting errors with the divide-by-9 and difference-halving diagnostics.

1 Key knowledge and worked examples

■ The rule that falls out of the equation

Assets and expenses grow on the **debit** (left); liabilities, equity and income grow on the **credit** (right). Every transaction posts equal debits and credits – so the **trial balance** columns must total equally: a theorem, not a hope.

The week posted: debits left, credits right

Cash	
20,000	6,000
15,000	
3,000	
38,000	**6,000**

Equipment	
6,000	
6,000	**0**

Inventory	
4,000	1,200
4,000	**1,200**

Cost of sales	
1,200	
1,200	**0**

Loan	
	15,000
0	**15,000**

Payables	
	4,000
0	**4,000**

Share capital	
	20,000
0	**20,000**

Revenue	
	3,000
0	**3,000**

Trial balance: Dr 32,000 + 6,000 + 2,800 + 1,200 = 42,000
= Cr 15,000 + 4,000 + 20,000 + 3,000 = 42,000

Debits left, credits right – and the columns must total equally

■ Worked example. The week posted

Closing balances: Cash 32,000 Dr; Equipment 6,000 Dr; Inventory 2,800 Dr; Cost of sales 1,200 Dr – debits 42,000. Loan 15,000 Cr; Payables 4,000 Cr; Share capital 20,000 Cr; Revenue 3,000 Cr – credits 42,000 ✓.

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2 Practice

2.1 Post to T-accounts (from the worked example's balances): sell bread £1,500 for cash; pay wages £700 cash; buy butter £300 on credit. Give each account's new balance. [5]

2.2 A trial balance differs by £1,800. State the divide-by-9 diagnostic and identify which posting fits it from: (a) 3,100 posted as 1,300; (b) 4,000 posted as 2,000; (c) 900 posted as 180. [3]

2.3 Wages of £52,000 were posted twice. Show the trial balance's behaviour and quantify the profit error. [4]

3 Exam-style questions

3.1 A clerk posts Nimbus's week but misses the flour purchase: the £4,000 credit to Payables AND the £4,000 debit to Inventory are both absent, while the £1,200 usage is posted. State the resulting trial-balance difference with a reason, post the correction, and give the corrected column totals for the full week. [5]

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3.2 Explain why a balanced trial balance is not proof the books are right, using the double-posted wages as your example. [3]

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Solutions

2.1

- Dr Cash 1,500 / Cr Revenue 1,500.
- Dr Wages 700 / Cr Cash 700.
- Dr Inventory 300 / Cr Payables 300.
- Balances: cash 32,800; revenue 4,500; wages 700 Dr.
- Inventory 3,100; payables 4,300.

2.2

- Swapping two digits changes a number by a multiple of 9, so a difference divisible by 9 points at a transposition.
- $1{,}800 = 9 \times 200$.
- (a): $3{,}100 - 1{,}300 = 1{,}800$ – the fit.

2.3

- Both columns grow by 52,000.
- The trial balance still ties exactly.
- Profit is understated by 52,000.
- Only reconciliation against the payroll record catches it.

3.1

- With the purchase's two lines missing but the £1,200 usage still posted, the columns read Dr 39,200 against Cr 38,000 – a difference of 1,200.
- The louder tell-tale: inventory carries a CREDIT balance of 1,200, which an asset account cannot.
- Correction: Dr Inventory 4,000 / Cr Payables 4,000 – inventory ends 2,800 Dr, payables 4,000 Cr.
- Corrected totals: Dr 42,000 = Cr 42,000 ✓.

3.2

- The trial balance tests one property only: total debits equal total credits.
- Double-posting preserves that property while corrupting an expense and both ledger totals.
- Balanced rules out one-sided errors; classification and amount errors need reconciliation against evidence.