

## Chapter → 5.

## Double Entry System

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## Accounting System

The system design to recording transaction and event for a business accounting in a way that complies with its policy and procedure is called accounting system.

According to P.N. Anthony, "accounting system is a collection rules and regulations of business transaction its include, analysing, summarising and separating in monetary term. There are three type of accounting system

- (i) Single entry system.
- (ii) Indian system of accounting.
- (iii) Double entry system.

(i) S.E.S is a system of book keeping in which only record of cash and personal account (debtor and creditor) are maintain.

Single entry system is a method of accounting system is not contain any nominal account and real <sup>acc</sup> account of company. It is also called incomplete accounting system because all records are not kept by accountant maintained under this system are incomplete and unsystematic and therefore not reliable. (असम्पूर्ण प्रणाली है) It follows by small business firm because it is very simple and flexible.

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(11) Indian accounting system is also known as mahajani accounting system. It is very ancient system. Under this accounting system both cash and credit transaction are recorded in the books of accounting with Hindi or regional language. Indian system of accounting is as scientific and systemic and the one developed in the west.

Now a days, after increased the use of double entry system, stocks, computers, and some old firms are still using this system.

(12) Double Entry System: is formed on the basis of ~~the~~ dual aspect, to ~~fold~~ aspect of a transaction. Therefore a transaction is recorded in at least two accounts. The system recognised that every transaction have to fold effect - (1) receives benefit and other giving benefit, one sells then another purchases.

In other words if some one receive either some other person must have given it.  
for ex: → when a person pay cash to the business for goods he has purchased.

According to J.R. Batliboi, "Every business transaction has a two fold effect and it affect to accounting opposite direction. and if a complete record work to be made of each such transaction. It's necessary feature that one account is debited and another account is credited."

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## Advantages of Double Entry System.

- Double Entry System is a modern system of accounting its main advantage are described as follows:
- (i) D.E.S gave full accounting information about the business transaction. ~~It is recorded according to certain specific scale.~~
  - (ii) D.E.S verify the arithmetical accuracy.
  - (iii) It's provide a complete record of business transaction related to personal and impersonal account.
  - (iv) D.E.S help to prepare the financial position of the business on a particular date.
  - (v) It's gave various information such as amount due to be received from ~~debtors~~ pay paid to supplier or creditors, its valuation of closing stock and what is the amount of purchase and sale.
  - (vi) The system is very flexible for small and big business both.
  - (vii) It's recorded according to certain specific scale.

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## ★ Disadvantages of Double Entry System.

- The main drawback or limitations of double entry system are as follows:
  - (i) The system requires the maintenance of a no. of books of account.
  - (ii) It's not useful as it is not practical in small business.
  - (iii) Under the system a no. of books of account are to be maintain ~~show~~ so it is costly.
  - (iv) Double Entry System doesn't disclose some errors committed in the books of account.

## Stage of Double Entry System

A complete system of double Entry System has following stage..

- (i) Identify the transaction and then recording into journal जारी कर
- (ii) After journalising they pasting into ledger.
- (iii) When the transaction were journalised and classified into summarised with the following stage:
  - (a) closing the books.
  - (b) prepared trial balance.
  - (c) preparation of final account.  
ex: trading, Profit & Loss, Balance sheet.