


Learning outcomes

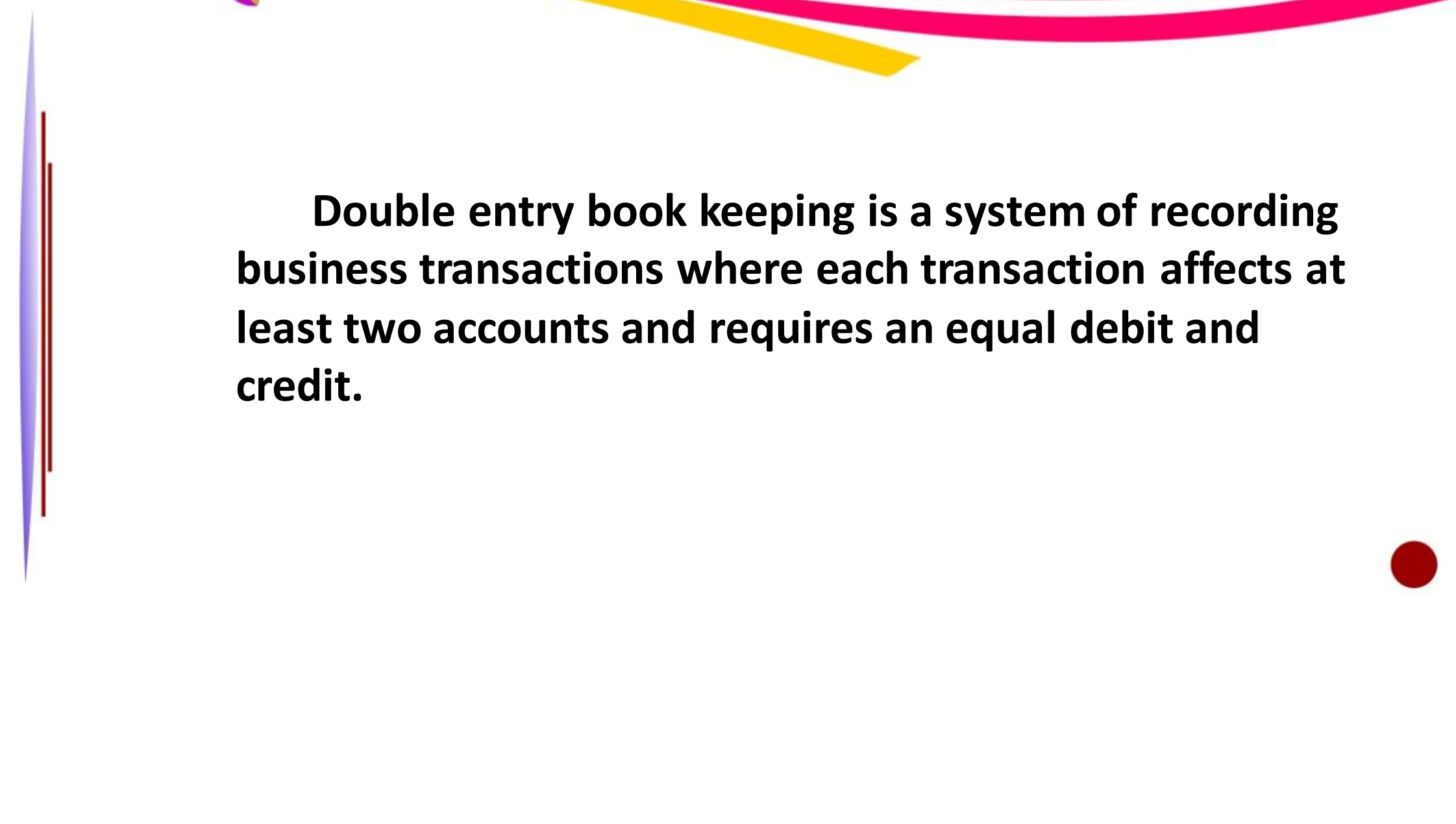


- **Meaning of Double entry system**
 - **Types of accounting systems**
 - **Advantages of Double entry system**
 - **Limitations of Double entry system**
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Meaning



Double entry book keeping is a system of recording business transactions where each transaction affects at least two accounts and requires an equal debit and credit.



Accounting systems



Business transactions recording systems is two types

- 1. Double entry system**
 - 2. Single entry system**
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Advantages of Double entry system



1. Scientific system



- **This double entry system is the only scientific system of recording business transactions. This system records, classifies and summaries the business transactions**
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2. Complete information



Double entry system maintains complete record of all transactions



3. Accuracy of the accounts



**The trail balance proved arithmetical accuracy
of the books**



4. Profit and loss

This system ascertained actual profit or loss of the business through preparing profit and loss account

5. Knowledge of debtors and creditors



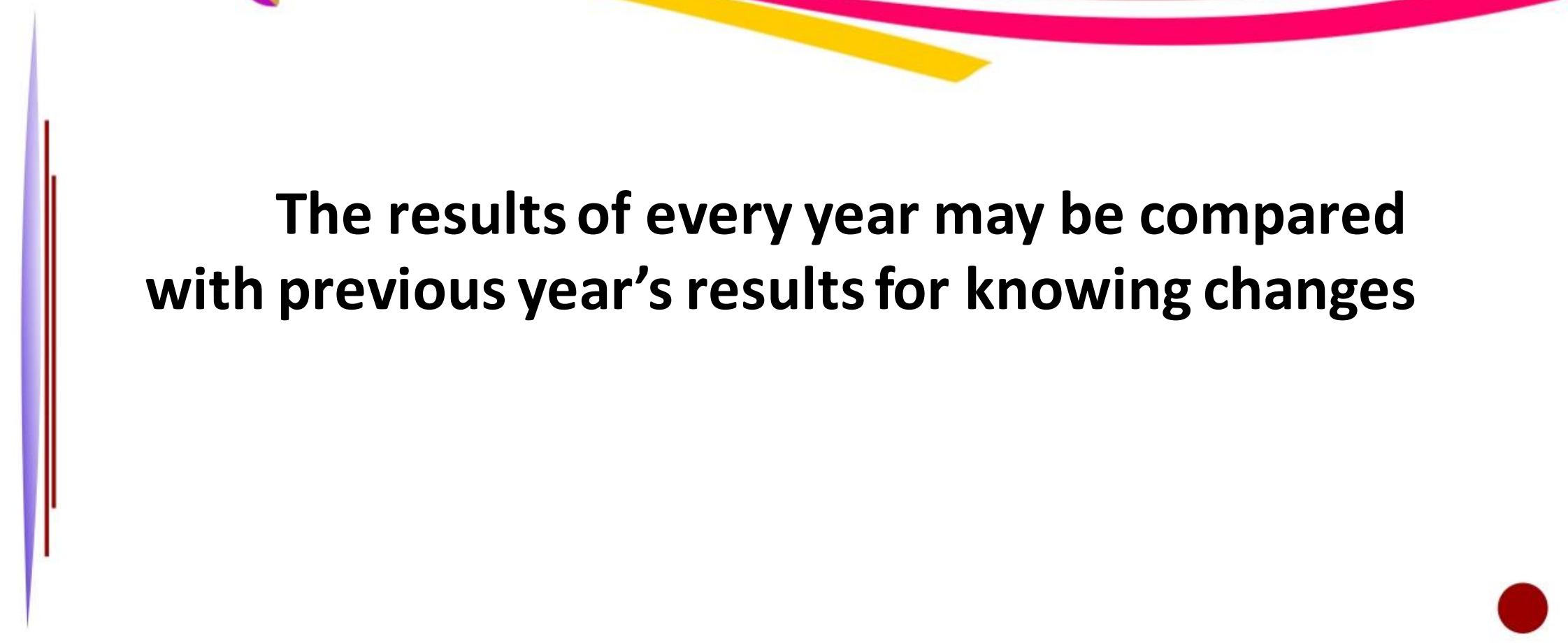
The business man will be able to know what amount is owed by different customers to the firm and what amount owed by the firm to others



6. About results



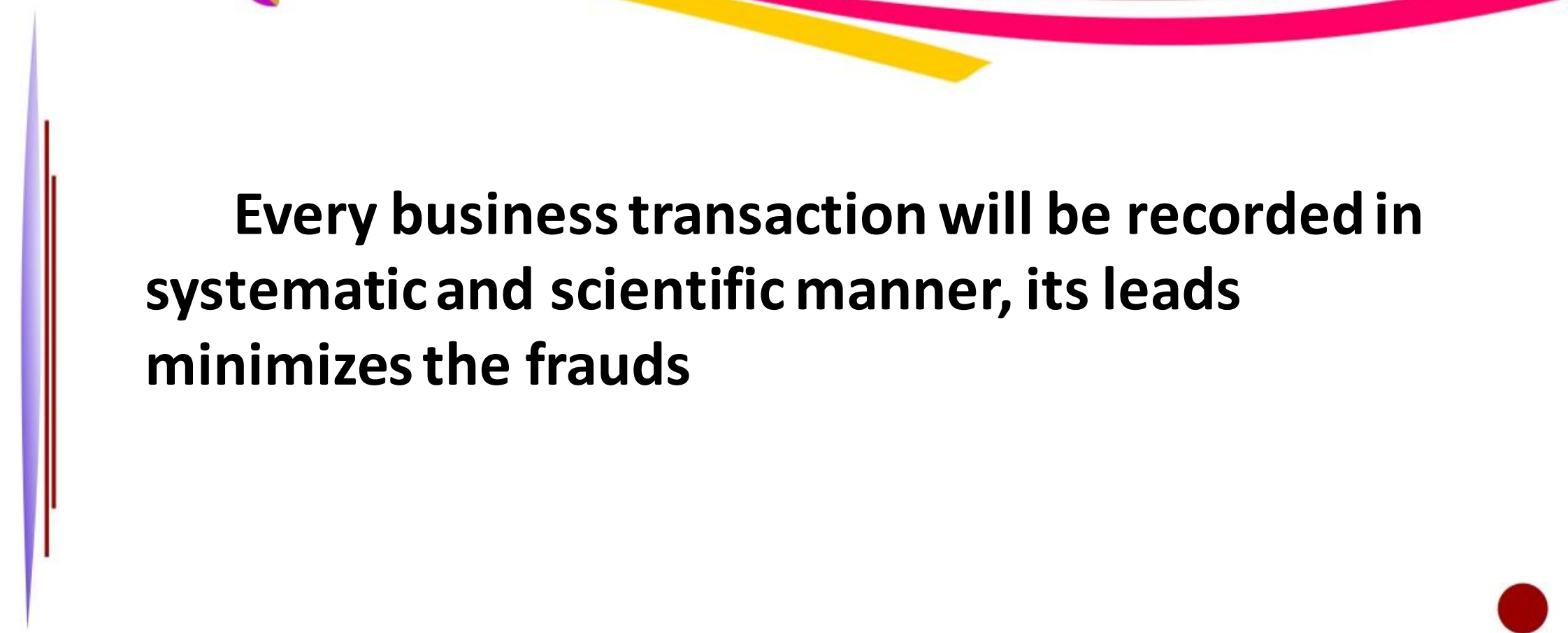
The results of every year may be compared with previous year's results for knowing changes



7. Minimizes the frauds



Every business transaction will be recorded in systematic and scientific manner, it leads to minimizing the frauds






Disadvantages of Double entry system



1. Errors of omission



When the entire transaction will not be recorded in the books, the error cannot be identified and the trail balance is also not shown it



2. Errors of principle

According to principles of double entry system every debit has equal in credit. If any mistake happens in debit and the same in credit, it will be not able to detect

3. Compensating errors

This system is compensating the errors which occurs a mistake debited with Rs.100 higher and a mistake credited with Rs. 100 higher.