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# Introduction to solicitors' accounts and basic bookkeeping

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## 1.1 Introduction

This chapter includes:

1. An overview of accounts;
2. The purpose of keeping accounts;
3. An explanation of the double-entry bookkeeping system, types of account and worked examples;
4. Reminder of key points;
5. Practical self-test exercises in drawing up accounts using the double-entry system.



### INTENDED OUTCOME

An understanding of:

1. The need for accounts;
  2. The principles of bookkeeping, evidenced by the ability to draw up simple accounts using the double-entry bookkeeping system.
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## 1.2 Overview of accounts

Accounts on the Legal Practice Course is regarded as a pervasive subject, although it is separately assessed. A word of encouragement at the start. Although initially Accounts can seem daunting, most students do well, and even manage to enjoy the time they spend on Accounts. Do not worry if you did not enjoy GCSE maths; the only maths involved here is very basic arithmetic.

Do practice using the exercises in the book and those given to you on your course. This is the best way to come to grips with the subject. The questions at the end of each chapter are graded, starting with easier exercises and working up to more challenging questions.

The following websites may be useful to you, and will also be mentioned in the relevant chapters:

<<http://www.sra.org.uk>> and <<http://www.lawsociety.org.uk>> in respect of solicitors' accounts;  
<<http://www.companieshouse.gov.uk>> in respect of company accounts;  
<<http://www.dti.gov.uk>> in respect of company accounts;  
<<http://www.hmrc.gov.uk>> HM Revenue & Customs in respect of VAT, Inland Revenue.

### 1.2.1 Why study Accounts?

You may think that Accounts is the last subject a prospective solicitor needs to know. However, there are very good reasons why it is included. Solicitors can be struck off as solicitors if they breach the Solicitors' Accounts Rules—have a look in the Law Society's *Gazette* and see how often this is a reason. Some examples of the Solicitors' Disciplinary Tribunal cases are shown in Chapter 11, para 11.2.2. Solicitors look after large sums of money on behalf of their clients, and must be trusted to do so. They are ultimately responsible and cannot totally rely on the skill or honesty of others.

Solicitors are also running a business; they must be able to understand how the accounts are kept, and, as partners, be able to read their Profit and Loss accounts and Balance Sheets each year.

Often an understanding of accounts will be useful when giving advice, whether to corporate clients, or, for example, to matrimonial clients when advising on asset distribution.

### 1.2.2 How to study Accounts

Accounts is a practical subject, it involves understanding the principles and applying them. The best way to do this is by reading the explanation and then working through the exercises. Only when you are satisfied that you understand what you are doing should you move on to the next section. Repetition of exercises will consolidate your understanding. Once you understand the basic principles the later sections should fall into place.

### 1.2.3 The main areas of study

Accounts on this course falls into two main sections:

1. Business Accounts;
2. Solicitors' Accounts.

#### **Business Accounts**

This includes basic double-entry bookkeeping, the Trial Balance, and preparation of final accounts, being the Profit and Loss and Balance Sheet. The final accounts can be prepared for a sole owner, a partnership, or a company.

#### **Solicitors' Accounts**

This covers the Solicitors' Accounts Rules, the difference between office and client account, controlled trust money, and the bookkeeping entries required. It also covers how to prepare a simple financial statement for a client, and the particular bookkeeping entries required for certain types of work, for example property or probate work.

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## 1.3 The purpose of keeping accounts

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All businesses need to keep a day-to-day record of all their financial transactions, so that they can see what is happening. From these records they will be able to draw up final accounts.

These fall into two main sections:

### The Profit and Loss account

This will record all income less expenses, to give the profit or loss for the period.

### The Balance Sheet

This will show what the business OWNS—its assets—and what the business OWES—its liabilities.

Note that different people will use the accounts for different purposes, for example:

The owners—will need to know what is happening financially, this will help them with planning for the business;

HM Revenue & Customs—for tax purposes;

Any person or company that has lent money to the business, for example the bank;

A buyer of the business;

A new partner coming into a partnership.

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## 1.4 An introduction to double-entry bookkeeping

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Basic accounts are merely records or histories of financial transactions. The normal method of keeping day-to-day accounts is that of double entry, which will be used in this book. This means that **TWO** entries are made for every **SINGLE FINANCIAL TRANSACTION**.

### 1.4.1 The principle of double-entry bookkeeping

The system of double-entry bookkeeping operates on the basis that when the business is involved in a transaction there are two sides to the transaction:

1. The business receives value from the transaction;
2. The business gives consideration for the value received.

The double-entry system records both sides of the transaction so that somewhere in the accounts both parts of the transactions will be shown—the double entry.

For example, if a firm buys a computer for £1,000 cash, it has gained an asset, but has lost cash. If the business provides legal services and is paid £500, then it has gained cash of £500, but given consideration of the work done, which is the source of the income.

The benefit received is shown on the left-hand side of the account and called the **DEBIT** entry, the consideration given is shown on the right-hand side of the account, and called the **CREDIT** entry.

**DEBIT**  
**BENEFIT RECEIVED**

**CREDIT**  
**CONSIDERATION GIVEN**

This may seem strange or wrong at this stage, as you may associate credit with receipts, and debit with payments out, usually based on your bank statement sent out from the bank, where payments out of your account are shown as debit entries and receipts are shown as credit entries.

**EXAMPLE**

Jane Morris pays £1,000 into her bank account with the Northern Bank PLC. The Northern Bank will draw up its accounts as follows:

**Northern Bank PLC Cash account**

	Benefit received <b>Debit</b>	Consideration given <b>Credit</b>	Balance
Jane	1,000		1,000 DR

**Jane Morris account**

	Benefit received <b>Debit</b>	Consideration given <b>Credit</b>	Balance
Cash		1,000	1,000 CR

The bank has followed the rules given above, but all Jane sees is her account, which is one part of the double entry. From Jane's point of view the credit entry records a receipt. From the Bank's point of view the receipt was **debited** on the Bank's Cash account and Jane's account was **credited** to show that Jane has given the cash. Jane is a creditor of the Bank—see later.

Remember that the two entries made DO record the same SINGLE transaction. The principle of double-entry bookkeeping is therefore: **for every debit entry in one account there must be a corresponding credit entry in another account.**

**1.4.2 The layout of an account**

There are several methods of drawing an account. The method adopted in this book is as follows.

**Name of account**

Date	Details	DR	CR	Balance

Note the following:

- This layout has five columns.
- There is one column each for date and details. Note that the details column must indicate clearly the name of the account which forms the other part of the double entry.
- The column headed 'DR' (abbreviation of debit) is always on the LEFT. Debit entries are made in this column.
- The column headed 'CR' (abbreviation of credit) is always on the RIGHT. Credit entries are made in this column.
- There is a balance column which gives a running balance on the account after each transaction is completed. The balance is the difference between the debit

and credit entries. If the debit side is heavier than the credit side then there is a debit balance, and vice versa.

Note that for solicitors, rule 32(5) of the Solicitors' Accounts Rules 1998 imposes an obligation to show the current balance on each client's ledger, or the balance must be readily ascertainable from the records kept. See also Chapter 11, para 11.2.2(g).

### 1.4.3 An example of double-entry bookkeeping

On 1 March the business buys a car for £3,000 and pays by cheque drawn on the firm's bank account. The two sides to this transaction are:

1. The receipt of value in the form of an asset acquired by the business, ie the car;
2. The giving of consideration, ie reducing the firm's bank balance by £3,000.

To record this transaction the firm will use two accounts:

1. The Motor cars account;
2. The Cash account.

#### Motor cars account

Date	Details	DR	CR	Balance
1 March	Cash—purchase of car	3,000		3,000 DR

#### Cash account

Date	Details	DR	CR	Balance
1 March	Motor cars	(Received)	(Paid) 3,000	3,000 CR

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## 1.5 Classification of accounts

All financial transactions will therefore need to be recorded by double entry in the ledger (day-to-day) accounts of a business. These ledger accounts can be divided into three groups:

1. Personal accounts—accounts for each individual, business or company dealing with the business;
2. Asset (real) accounts—accounts showing each asset or set of assets (for example cars) of the business;
3. Nominal accounts:
  - (a) Income accounts name the source of the income;
  - (b) Expense accounts name the source of the loss.

Using the double-entry system there are set rules for these accounts, set out below. These rules can be memorised, and followed for every entry you will ever need to make on ledger accounts. Once you have used these rules for some time, you will find that the accounts do always follow the twofold aspect of benefit and consideration mentioned previously.

A summary of the rules for these groups of accounts is set out briefly below, then a more detailed explanation is given.

## 1. PERSONAL accounts

DEBIT—the personal account which receives goods, cash, or services from the business.

CREDIT—the personal account which has given goods, cash, or services to the business.

## 2. ASSET (real) accounts

DEBIT when business receives an asset or assets are increased.

CREDIT when the business disposes of an asset or if the assets are reduced.

## 3. Nominal INCOME or EXPENSE accounts

CREDIT Income accounts—they name the source of the income.

DEBIT Expense accounts—they name the source of the loss.

**1.5.1 Personal accounts**

A separate account must be kept for each person, firm, or company with which the business has dealings, for example, each debtor and creditor.

The rule for making entries in a personal account is:

DEBIT When goods, cash, or services are received by that person or company from the business, ie they are being charged for the goods, etc.

(They are then a DEBTOR)

CREDIT When that person or company gives goods, cash, or services to the business, ie the business owes them money for the goods, etc.

(They are then a CREDITOR)

**1.5.2 The personal accounts of the business owner**

As the accounts look at a transaction from the point of view of the business, the business and its owner are treated as separate entities. See Chapter 7, para 7.2.1. This principle holds good for a solicitor's practice. The accounts which record transactions between the business and its owner are personal accounts. These accounts are:

**1.5.2.1 The owner's Capital**

When a person sets up in business he or she will introduce assets, for example money, premises, car, and equipment. When this happens:

(a) DEBIT the relevant asset account;

(b) CREDIT the Capital account, which will show the amount due to the owner.

**EXAMPLE**

On 1 January Harry starts up in practice as a sole practitioner. He introduces £8,000 cash, a car valued at £5,000, and office equipment worth £2,000. These opening entries will be recorded as follows:

**Cash account—Asset account/personal account with bank**

Date	Details	DR	CR	Balance
1 Jan	Capital introduced by Harry	(Received) 8,000	(Paid)	8,000 DR

**Car account—Asset account**

Date	Details	DR	CR	Balance
1 Jan	Capital introduced by Harry	5,000		5,000 DR

**Office equipment account—Asset account**

Date	Details	DR	CR	Balance
1 Jan	Capital introduced by Harry	2,000		2,000 DR

**Capital account—personal account of the owner**

Date	Details	DR	CR	Balance
1 Jan	Cash		8,000	8,000 CR
	Car		5,000	13,000 CR
	Office equipment		2,000	15,000 CR

**1.5.2.2 Drawings account**

From time to time the owner will take money out of the business either in cash or by paying private expenses, for example, a home gas bill. These are called drawings and are usually recorded in a personal account, the drawings account.

The drawings account will always be DEBITED.

**EXAMPLE**

On 31 January Harry draws £1,000 out of the firm's bank account for his own use and pays his personal tax of £500. The entries to record these transactions are as follows:

**Drawings account—Harry—personal account**

Date	Details	DR	CR	Balance
31 Jan	Cash—drawings	1,000		
31 Jan	Cash—personal tax	500		1,500 DR

**Cash account—Asset/personal account with bank**

Date	Details	DR	CR	Balance
	Balance			8,000 DR
31 Jan	Drawings—cash		1,000	7,000 DR
	Drawings—personal tax		500	6,500 DR

The credit balance on the capital account shows the amount which the business owes to its owner, ie the amount he has invested. The debit balance on the drawings account shows the amount the owner owes the business.

**1.5.3 Asset/real accounts**

These will show the assets at the price paid for them (cost price).

It is not always easy to decide whether a purchase should be recorded as an asset, or as an expense. For example, if the business buys office furniture, this is likely to last for some time and so will be recorded as an asset. However, if the business buys stationery, this will be used up in a fairly short time, and so it will be recorded as an expense.

**The cash account**

This is not only a real account; it is also a personal account with the bank.

The business will usually place most of its cash in the bank; it will pay all cheques received into the bank, and make most payments out by cheque or transfer. Any cash in the bank will be an asset. However, if the business went overdrawn at the bank, then the overdraft would be a liability.

**The petty cash account**

This deals with cash payments made by the firm. A cash sum will be taken out of the bank each week as a cash float. This can be used to make payments out, and topped up when required.

The rule for making entries in an asset account is:

DEBIT            receipt of an asset.  
CREDIT        reduction of an asset.

**EXAMPLE ASSET ACCOUNTS**

Assume that a firm has £10,000 cash in the bank.

The firm purchases office furniture for £2,000.

DEBIT the increase on the office furniture account.

CREDIT the decrease on the Cash account.

**Office furniture account**

Date	Details	DR	CR	Balance
	Cash	2,000		2,000 DR

**Cash account**

Date	Details	DR	CR	Balance
	Balance			10,000 DR
	Office furniture		2,000	8,000 DR

The balances on the accounts show the shift in assets from cash to office furniture; at first the firm had £10,000 cash, now it has £8,000 cash and office furniture worth £2,000.

**1.5.4 Income and expense accounts**

- (a) **INCOME ACCOUNTS** These record the receipt of income by the firm. The following are examples of income accounts kept by a solicitor:
- (i) Profit Costs account—this account shows the profit costs charged to clients. It is based on the bills sent to clients.
  - (ii) Interest received account—this account shows interest received by the firm on money held in a deposit account.
  - (iii) Rent received account—this account shows rent received by the firm if it leases out any of its surplus office accommodation.

Income accounts are CREDITED with income received and will therefore always have CREDIT balances.

**EXAMPLE**

A firm lets its surplus office premises for which it receives rent of £800 per month. On 1 January the firm receives the first month's rent.

CREDIT Rent received account.

DEBIT Cash account.

**Rent received account**

Date	Details	DR	CR	Balance
1 Jan	Cash		800	800 CR

**Cash account**

Date	Details	DR	CR	Balance
1 Jan	Rent received	800		800 DR

**EXAMPLE**

The firm does work for Basil, for which the charge is £500. When the bill is sent to Basil, the income (work done) account will be credited; it shows what the business has given in return for the gain. Note that in solicitors' firms the income account, based on the bills sent out, is usually called the Profit Costs account. Basil's personal account will be debited, showing that Basil has received £500 worth of services. The debit balance will show that Basil is a debtor of the firm; he owes £500.

CREDIT Profit Costs account.

DEBIT Basil account.

**Profit Costs account (work done account)****Income**

Date	Details	DR	CR	Balance
	Basil—bill		500	500 CR

**Basil account (personal account)**

Date	Details	DR	CR	Balance
	Profit costs—bill	500		500 DR

When Basil pays the bill, the entries will be:

CREDIT The Cash account (real account).

DEBIT Basil's account.

**Cash account**

Date	Details	DR	CR	Balance
	Balance, say			8,000 DR
	Basil	500		8,500 DR

**Basil account**

Date	Details	DR	CR	Balance
	Balance			500 DR
	Cash you		500	—

The debt of £500 due from Basil has been paid and converted into cash.

*Note:* the balance on Basil's account was £500 debit, the balance is now nil as the amount owed has been paid.

(b) **EXPENSE ACCOUNTS** These record the payment of business expenses:

- (i) A separate expense account is opened for each type of expense which the firm has; for example, most firms will have rent, council tax, electricity, telephone, and salaries accounts.
- (ii) An expense account is DEBITED each time the firm pays a business expense.

**EXAMPLE**

On 30 November the firm pays an office electricity bill of £500.

DEBIT Electricity account.

CREDIT Cash account.

**Electricity account**

Date	Details	DR	CR	Balance
30 Nov	Cash	500		500 DR

**Cash account**

Date	Details	DR (Received)	CR (Paid out)	Balance
	Balance, say			5,000 DR
30 Nov	Electricity		500	4,500 DR

Payments made under any leasing or rental agreement are business expenses and are recorded in an expense account.

**EXAMPLE**

A firm leases word processors from Computer Supplies Ltd. The quarterly rental is £100. On 1 April the first instalment is paid. Assume the firm has a cash balance of £5,000 at the bank.

DEBIT Rental account.

CREDIT Cash account.

**Word processors rental account**

Date	Details	DR	CR	Balance
1 Apr	Cash	100		100 DR

**Cash account**

Date	Details	DR	CR	Balance
	Balance			5,000 DR
1 Apr	Word processors rental		100	4,900 DR

Expense accounts will always have DEBIT balances.

### 1.5.5 Trading accounts

Manufacturing and trading accounts are dealt with in more detail in Chapter 7, where the same principles apply. Where goods are purchased as part of the trading cycle, for example goods are purchased for £6,500 cash, the entries would be:

CREDIT the Cash account £6,500.

DEBIT the Purchases (expense account) £6,500.

On the assumption that the firm starts with £16,500 cash then the accounts would be as follows:

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#### Cash account

Date	Details	DR	CR	Balance
	Balance			16,500 DR
	Purchases		6,500	10,000 DR

#### Purchases account

Date	Details	DR	CR	Balance
	Cash	6,500		6,500 DR

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When the goods are sold a separate sales account will be opened. This will be CREDITED.

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#### EXAMPLE

Assume the business has £10,000 cash.

Goods are sold for £9,000 cash.

DEBIT the Cash account £9,000.

CREDIT the Sales account (an income account) £9,000.

#### Cash account

Date	Details	DR	CR	Balance
	Balance			10,000 DR
	Sales	9,000		19,000 DR

#### Sales account (nominal income account)

Date	Details	DR	CR	Balance
	Cash		9,000	9,000 CR

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### 1.5.6 Solicitors and accounts

Note that as solicitors will usually be holding large sums of money on behalf of clients they will have at least two bank accounts, one dealing with the firm's own money, called OFFICE ACCOUNT and the other dealing with clients' money called CLIENT ACCOUNT. For further details see Chapter 11 onwards.

## 1.6 Worked example on double entry

Foster, a sole practitioner, sets up her practice on 1 February with £10,000 cash, office equipment worth £1,000, and premises valued at £140,000.

During the month of February the practice engages in the following transactions:

1. It pays her secretary's salary of £1,300.
2. It receives one month's rent from the tenant occupying part of the office premises—£800.
3. It buys a desk for £500.
4. It buys a car on credit from Karsales Ltd for £9,000.
5. Foster draws £1,000 out of the bank for her own use.
6. The firm sends a bill to Jarman for £500, re profit costs for work done.
7. Jarman pays the bill of £500.

### Cash account

Date	Details	DR	CR	Balance
Feb	Capital introduced	10,000		10,000 DR
	Salaries		1,300	8,700 DR
	Rent received	800		9,500 DR
	Office furniture		500	9,000 DR
	Drawings (cash)		1,000	8,000 DR
	Jarman	500		8,500 DR

A real account/personal account with the bank.

### Office equipment account

Date	Details	DR	CR	Balance
Feb 1	Capital introduced	1,000		1,000 DR

A real/asset account.

### Premises account

Date	Details	DR	CR	Balance
Feb 1	Capital introduced	140,000		140,000 DR

A real/asset account.

### Capital account

Date	Details	DR	CR	Balance
Feb	Cash		10,000	10,000 CR
	Office equipment		1,000	11,000 CR
	Premises		140,000	151,000 CR

A personal account.

### Salaries account

Date	Details	DR	CR	Balance
Feb	Cash (secretary)	1,300		1,300 DR

A nominal expense account.

**Rent received account**

Date	Details	DR	CR	Balance
Feb	Cash		800	800 CR

A nominal income account.

**Office furniture account**

Date	Details	DR	CR	Balance
Feb	Cash (desk)	500		500 DR

A real/asset account.

**Motor vehicles account**

Date	Details	DR	CR	Balance
Feb	Karsales Ltd (car)	9,000		9,000 DR

A real/asset account.

**Karsales Ltd account**

Date	Details	DR	CR	Balance
Feb	Motor vehicles (car)		9,000	9,000 CR

A personal account.

**Drawings account**

Date	Details	DR	CR	Balance
Feb	Cash (drawings)	1,000		1,000 DR

A personal account.

**Profit Costs income account**

Date	Details	DR	CR	Balance
	Jim—bill		500	500 CR

A nominal income account.

**Jarman**

Date	Details	DR	CR	Balance
	Profit costs—bill	500		500 DR
	Cash you		500	—

A personal account.

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## 1.7 Reminder of key points

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1. The need for accounts:
  - (a) Essential to ensure money held for clients is dealt with properly;
  - (b) Necessary for solicitors in running their practice;
  - (c) Needed when advising clients, for example corporate clients or matrimonial clients, on financial aspects.
2. The double-entry system—used to give complete information.  
For ONE financial transaction there will be TWO entries—

- a DEBIT ENTRY on one account, and  
a CREDIT ENTRY on another account.
3. The main types of account are:  
INCOME accounts and EXPENSE accounts  
For example, income from work done for clients or from trading;  
expenses could include rent payable, salaries to staff;  
ASSET (REAL) accounts  
Examples include cash at the bank, cars, office premises;  
PERSONAL accounts for each person/company dealing with the business
4. The rules:  
CREDIT INCOME accounts;  
DEBIT EXPENSE accounts;  
ASSET accounts:  
DEBIT when assets are acquired;  
CREDIT when assets are disposed of.  
The above entries on asset accounts may well seem wrong to you; they may appear to be the wrong way round, but you will find that they are right and the system does work.  
PERSONAL accounts:  
DEBIT when the person receives goods or services (they are then debtors);  
CREDIT when the person gives the business goods or services (they are then creditors).



Now try the self-test exercises following and try the multiple choice questions online which are available through your tutor via the Online Resource Centre that accompanies this book. You may find these useful as another method of testing your understanding. When you have complete the exercises move on to the Trial Balance in Chapter 2.

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## 1.8 Exercises on double-entry bookkeeping

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1. Allow 5 to 10 minutes for this.  
State the double entry that would be made in the following transactions:
  - (a) Khan starts a business and introduces cash of £5,000.
  - (b) Little and Co. receive cash of £600 in payment of work done.
  - (c) North pays out £300 in respect of an electricity bill.
  - (d) Fishwick pays an employee's salary of £500.
  - (e) Grayling draws £1,000 from her business for her own use.
  - (f) Morris purchases a car for his business for £15,000 on credit from Stockton Garage Ltd.
2. Allow 5 to 10 minutes for this.  
Blears starts in business on 1 January as a solicitor, and introduces cash of £6,000 and office furniture worth £4,000. Show the accounts to record this.
3. Allow 10 minutes for this.

Latter starts a business with £5,000 cash on 10 November. He then buys a computer for £800 on 11 November. He sends a bill for £1,000 to a customer, Howard, for work done on 20 November.

Show the accounts to record this.

4. Allow 20 to 30 minutes for this.

Rahman starts in practice as a solicitor on 1 July with cash of £10,000, a car worth £16,000 and premises worth £128,000. During the month of July the following transactions occur:

- 1 July Pays council tax £900.  
 3 July Buys office furniture £1,800. Pays by cheque.  
 8 July Pays secretary's salary £1,500.  
 10 July Receives £12,500 as a loan from NatWest.  
 14 July Draws £2,500 for his own use.

Prepare accounts to record the above transactions.

## 1.9 Suggested answers to exercises on double-entry bookkeeping

- 1 (a) DEBIT the Cash account £5,000.  
 CREDIT the Capital account (for Khan) £5,000.  
 (b) DEBIT the Cash account £600.  
 CREDIT the Profit Costs (work done) account (income account) £600.  
 (c) CREDIT Cash account £300.  
 DEBIT Electricity account (expense account) £300.  
 (d) CREDIT Cash account £500.  
 DEBIT Salaries account (expense account) £500.  
 (e) CREDIT Cash account £1,000.  
 DEBIT Drawings account (personal account) £1,000.  
 (f) DEBIT Car account (asset account) £15,000.  
 CREDIT Stockton Garage Ltd account (personal account) £15,000.

### 2 Cash account

Date	Details	DR	CR	Balance
1 Jan	Capital	6,000		6,000 DR

### Office furniture account

Date	Details	DR	CR	Balance
1 Jan	Capital	4,000		4,000 DR

### Capital account

Date	Details	DR	CR	Balance
1 Jan	Cash		6,000	6,000 CR
	Office furniture		4,000	10,000 CR

**3 Cash account**

Date	Details	DR	CR	Balance
10 Nov	Capital	5,000		5,000 DR
11 Nov	Computer		800	4,200 DR

**Capital account**

Date	Details	DR	CR	Balance
10 Nov	Cash		5,000	5,000 CR

**Computer account**

Date	Details	DR	CR	Balance
11 Nov	Cash	800		800 DR

**Howard account**

Date	Details	DR	CR	Balance
20 Nov	Profit costs–bill	1,000		1,000 DR

**Profit costs**

Date	Details	DR	CR	Balance
20 Nov	Howard–bill		1,000	1,000 CR

**4 Cash account**

Date	Details	DR	CR	Balance
1 July	Capital	10,000		10,000 DR
	Council tax		900	9,100 DR
3 July	Office furniture		1,800	7,300 DR
8 July	Salary		1,500	5,800 DR
10 July	Loan: NatWest	12,500		18,300 DR
14 July	Drawings		2,500	15,800 DR

**Car account**

Date	Details	DR	CR	Balance
1 July	Capital	16,000		16,000 DR

**Premises account**

Date	Details	DR	CR	Balance
1 July	Capital	128,000		128,000 DR

**Capital account**

Date	Details	DR	CR	Balance
1 July	Cash		10,000	10,000 CR
	Car		16,000	26,000 CR
	Premises		128,000	154,000 CR

**Council tax account**

Date	Details	DR	CR	Balance
1 July	Cash	900		900 DR

**Office furniture account**

Date	Details	DR	CR	Balance
3 July	Cash	1,800		1,800 DR

**Salaries account**

Date	Details	DR	CR	Balance
8 July	Cash (secretary)	1,500		1,500 DR

**Loan account: NatWest**

Date	Details	DR	CR	Balance
10 July	Cash		12,500	12,500 CR

**Drawings account**

Date	Details	DR	CR	Balance
14 July	Cash	2,500		2,500 DR