

## Recitation A

### Double Entry Bookkeeping

Double entry bookkeeping system is a set of rules for recording financial information in an accounting system in which every transaction or event changes at least two different accounts. Transactions include sales, purchases, income, and payments by an individual or organization.

Double entry bookkeeping was first introduced by Luca Pacioli in a famous book. The book was published in the 15th century and it described the method of accounting used by Venetian merchants of the time. Double entry bookkeeping soon became the standard method of accounting, and Pacioli's book became a bestseller.

Luca Pacioli, who was born in 1445 in Italy, was a man of great knowledge of many subjects such as religion, business, mathematics, and so on. Among these subjects, he gave special importance to mathematics and accounting. He was a friend of the famous artist, Leonardo da Vinci.

Double entry bookkeeping is a system where each transaction is recorded twice in different columns. These columns are named debit and credit, the first being the left side column and the other the right side column. Every transaction involves a debit entry in one account and a credit entry in another account. This means that every transaction must be recorded in two accounts; one account will be debited because it receives value and the other account will be credited because it has given value. The rule to remember is "debit the receiver and credit the giver".

All transactions must be recorded in both columns and that serves as a check for any mistakes or errors, since the sum of total credits and total debits of different accounts must be equal and if not, there is an error. In this case the debit and the credit can be traced back with the help of the date and identifying code which is usually attached to the record.

(305 words)