

## 10.2 A drill to practise understanding analyzed transactions between a firm and its owner

Describe in words the events or situations that could be analyzed and recorded in the double entry system as below:

1.	IN	cash	£100	
	OUT	capital		£100

firm receives £100 cash from owner, and gives owner a claim on the firm ('capital'). More simply: owner puts £100 cash into firm.

2.	IN	capital	£20	
	OUT	cash		£20

firm gives £20 cash out to owner, and takes back part of promise given to owner ('capital'). More simply: owner takes £20 cash out of firm.

3.	IN	machinery	£500	
	OUT	capital		£500

firm takes in machine, value £500, from owner, and in return gives owner a promise/claim (called 'capital') of equal value. More simply, owner puts machine value £500 into firm.

4.	IN	capital	£40	
	OUT	purchases		£40

Most simply: owner takes goods value £40 out of firm for his/her personal use. Alternatively: firm gives out unsold goods value £40 to owner, and reduces owner's claim on the firm by a corresponding amount, by taking back part of promise given to owner.