

**14.1 A drill to develop familiarity with accounts and balances**

State the balance you would reasonably expect to find (DR balance, CR balance, nil balance, or could be either) on each of the following accounts.

1. a sales account

will usually carry a CR balance

2. a purchases account

will usually carry a DR balance

3. a debtor's account

will usually carry a DR balance

4. a creditor's account

will usually carry a CR balance

5. an account for bank

could carry either a DR balance or a CR balance (for an overdraft)

6. a cash account

if used only for money in the form of notes and coins ('petty cash') should carry a DR balance. If used for bank-type money, could carry either a DR balance or a CR balance (for an overdraft)

7. a capital account (for promises to or from the owner)

will usually carry a CR balance

8. an electricity account

will usually carry a DR balance

9. an account for rent (permission to use a building)

will usually carry a DR balance if the firm is **paying** rent for permission to use a building

10. a customer's account

will usually carry a DR balance (net promises IN from customer)

11. a lender's account

will usually carry a CR balance (promise OUT to repay lender)

12. an account for wages or labour

will usually carry a DR balance

13. a supplier's account

will usually carry a CR balance (net promises OUT to pay supplier)

14. an account for purchase returns

will usually carry a CR balance (purchases going back OUT)

15. a borrower's account

will usually carry a DR balance (promise IN to repay money borrowed)

16. an account for a customer who has overpaid the business by mistake

will carry a CR balance (the firm's promise or liability going OUT, to repay the value overpaid)

17. an account for interest (permission to use money)

will usually carry a DR balance if the firm is **paying** interest for permission to use money

18. an account for sales returns

will usually carry a DR balance (sales coming back IN)

19. an account for a supplier who has been overpaid by mistake  
will carry a DR balance (the supplier's promise coming IN to repay the value overpaid)
20. an account for advertising  
will usually carry a DR balance (advertising is an input)
21. the account for a lender who has been completely repaid  
should carry a nil balance
22. the account for a borrower who has repaid the whole amount originally borrowed  
should carry a nil balance
23. the account for bank, if the business has an overdraft  
will carry a CR balance
24. an account (in a retail shop) for refunds  
will carry a DR balance (in the event of a refund, **money** goes OUT of the firm. The 'Refund Account' is used to record the input which explains the movement of money)
25. an account for machinery and equipment  
will usually carry a DR balance