

7.3 A further drill to practise understanding analyzed transactions

Describe in words each of the transactions below, which have already been analyzed in terms of the double entry system as an exchange of equal value.

1.	IN	bank	£3 000	
	OUT	promise to XYZ		£3 000

firm receives payment of £3 000 by cheque from XYZ, or firm borrows £3 000 from XYZ, receiving the money by cheque

2.	IN	promise back from XYZ	£1 000	
	OUT	bank		£1 000

firm repays £1 000 by cheque to XYZ

3.	IN	permission to use money (interest)	£200	
	IN	promise from lender	£800	
	OUT	bank		£1 000

firm pays £1 000 by cheque to lender, being £200 payment of interest and £1 000 repayment of loan

4.	IN	equipment	£900	
	OUT	cash		£100
	OUT	bank		£300
	OUT	promise to supplier		£500

firm buys equipment for £900, paying £100 in cash, £300 by cheque, and the remaining £500 on credit

5.	IN	sales	£100	
	OUT	cash		£30
	OUT	promise to customer		£70

firm receives sales value £100 returned by customer, and pays £30 refund in cash, giving credit for remaining £70

6.	IN	bank	£50	
	IN	promise from supplier	£400	
	OUT	purchases		£450

firm receives £50 by cheque and £400 credit (promise) in respect of purchases returned to supplier