What Is Double-Entry Bookkeeping?

Worksheet

Double-entry bookkeeping records every transaction twice - as a debit in one account and an equal credit in another - so total debits always equal total credits.

Questions

1. In double-entry bookkeeping, every transaction affects how many accounts?

A) One
B) At least two
C) Three always
D) Zero

2. A debit to Cash means cash

A) decreased
B) increased
C) is unaffected
D) became a liability

3. If total debits are $10,000, total credits should be

A) $5,000
B) $20,000
C) $10,000
D) Any amount

4. Which is a credit-increasing account?

A) Cash
B) Equipment
C) Revenue
D) Prepaid expenses

5. A business buys $5,000 of equipment with cash. Record the double entry.

6. A company takes a $20,000 bank loan, deposited into its checking account.

7. A shop sells $1,200 of goods for cash.

8. Define: What is double-entry bookkeeping?

9. Define: What does a debit do to an asset account?

10. Define: What does a credit do to a liability account?

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Answer Key

1. B) At least two - Every transaction has a debit and a matching credit - at least two accounts.
2. B) increased - Cash is an asset; debits increase asset accounts.
3. C) $10,000 - Debits must always equal credits in a balanced entry.
4. C) Revenue - Revenue increases with a credit; assets increase with a debit.
5. Debit Equipment $5,000 (asset increases) Credit Cash $5,000 (asset decreases) Total debits = total credits = $5,000
6. Debit Cash $20,000 (asset increases) Credit Loans Payable $20,000 (liability increases) Both sides recorded, equation stays balanced
7. Debit Cash $1,200 (asset increases) Credit Sales Revenue $1,200 (equity increases via revenue) Debits = Credits = $1,200
8. An accounting system where every transaction is recorded as a debit in one account and an equal credit in another.
9. Increases it. Debits increase assets and expenses.
10. Increases it. Credits increase liabilities, equity and revenue.

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