

## SELF-BALANCING SYSTEM

Mainly 3 ledgers with their respective accounts are maintained under self-balancing system which are as follows:-

### 1. Debtors / Sales / Sold Ledger

- ↳ Respective adjustment accounts of any debtors.
- ↳ General Ledger Adjustment account.

### 2. Creditors / Purchase / Bought Ledger

- ↳ Respective adjustment accounts of any creditors.
- ↳ General Ledger Adjustment account.

### 3. General Ledger / Nominal Ledger

- ↳ Debtors Ledger Adjustment account.
- ↳ Creditors Ledger Adjustment account.

Examples of transactions relating to debtors -

<u>Transactions</u>	<u>Normal Journal Entry</u>	<u>Self-Balancing Entry</u>
i) Credit Sales	Debtors A/c — Dr. To Sales A/c	Debtors Ledger Adj. A/c — Dr. To Gen. Ledger Adj. A/c
ii) Cash / Cheque received from customers	Cash A/c / Bank A/c — Dr. To Debtors A/c	Gen. Ledger Adj. A/c — Dr. To Debtors Ledger Adj. A/c
iii) Discount allowed	Discount Allowed A/c — Dr. To Debtors A/c	”

Composite entry → Cash A/c — Dr.  
Discount Allowed A/c — Dr.  
To Debtors

## Examples relating to creditors —

<u>Transactions</u>	<u>Normal Journal Entries</u>	<u>Self-Balancing</u>
i) Credit Purchase	Purchase A/c — Dr. To Creditors A/c	Gen. Led. Adj. A/c — Dr. To Cred. Led. Adj. A/c
ii) Cash paid to suppliers	Creditors A/c — Dr. To Cash A/c	Cred. Led. Adj. A/c — Dr. To Gen. Led. Adj. A/c
iii) Returns of outwards / Purchase Return	Creditors A/c — Dr. To Purchase Return A/c	” ” ”