
OPENING BALANCE JOURNAL ENTRY

Sunfort Ltd has been in operation for a number of years and has decided to start operating a double entry bookkeeping system.

Using its current accounting records which are kept on a single entry basis, it determines that its assets and liabilities are as follows:

Opening Assets	
Account	Amount £
Cash	500
Inventory	2,000
Accounts Receivable	4,000
Property	50,000
Plant and equipment	7,000
Total	63,500

Opening Liabilities	
Account	Amount £
Accounts Payable	2,750
Loan	40,000
Total	42,750

The business owner has injected capital amounting to **£ 6,000** when the business started and the retained earnings to date are as follows: Assets = Capital + Liabilities

Required:

Using the **Accounting Equation**, establish the equity of the business and then record the **Opening Entry** in the books of **Sunfort Ltd** show the Accounting Equation for this Opening Entry Transaction.

Answer

$$\begin{aligned}\text{Total Capital} &= 63,500 - 42,750 = C + 6,000 \\ C &= 14,750\end{aligned}$$

$$\text{Total Capital} = 20,750$$

Particulars	Dr	Cr
Assets	63,500	
Liabilities		42,750
Equity		20,750

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