

CHAPTER THREE

THE DOUBLE ENTRY FRAMEWORK

“T” Accounts

**SHAPED
LIKE a “T”**

Debit

Credit

“T” Accounts

**Debit means
Left**

Debit

Credit

**Credit means
Right**

“T” Accounts

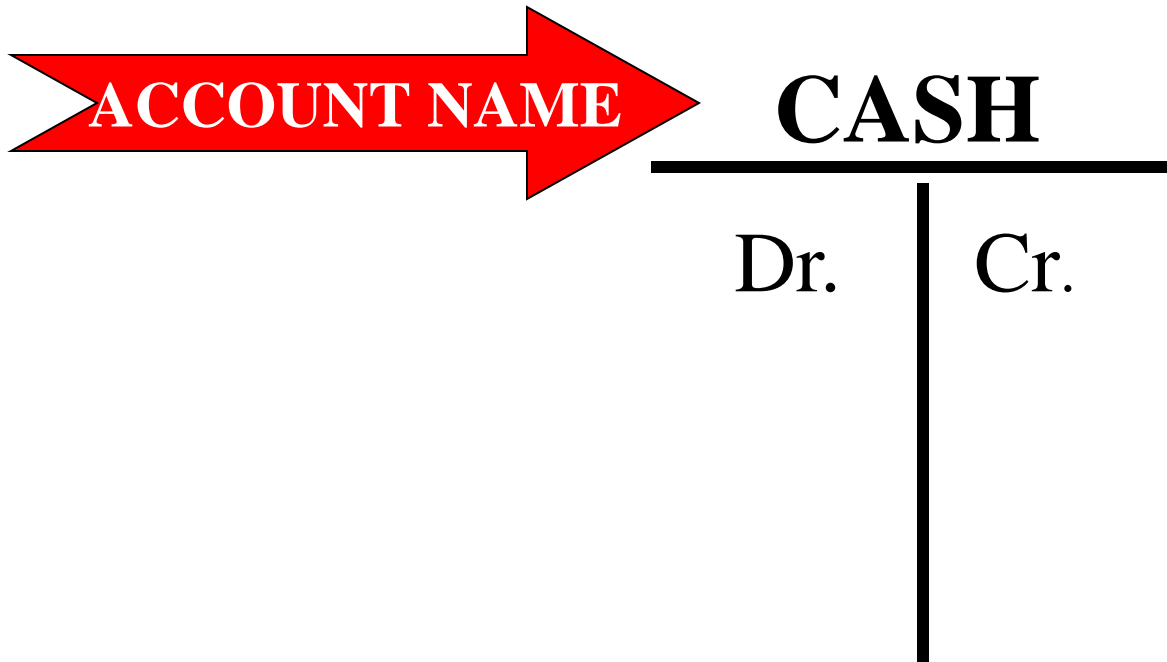
**Abbreviation
for Debit**

Dr.

Cr.

**Abbreviation
for Credit**

“T” Accounts

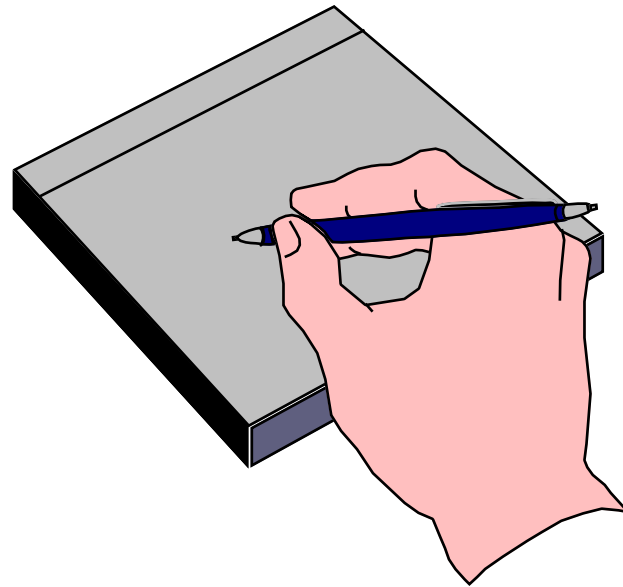


Every “T” Account has:

- ❑ An Increase Side, and
- ❑ A Decrease Side
- ❑ But, Some Accounts Increase on the Debit Side
- ❑ And, Some Accounts Increase on the Credit Side



7 RULES OF DEBITS AND CREDITS



RULE #1

ASSET ACCOUNTS

**Increase on
Debit Side**

Dr.

+

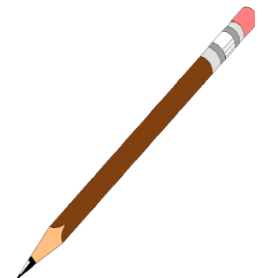
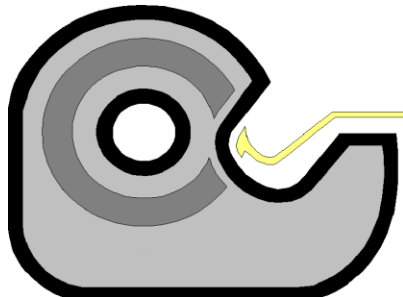
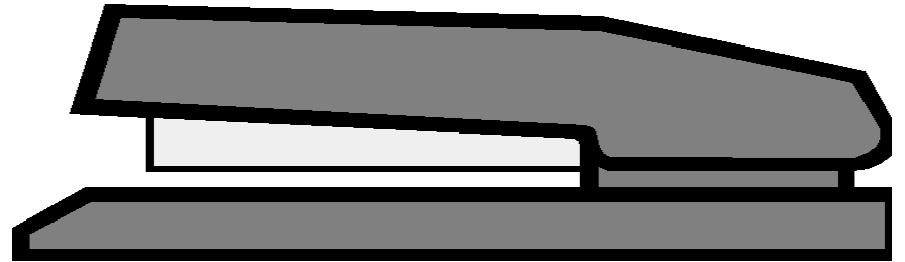
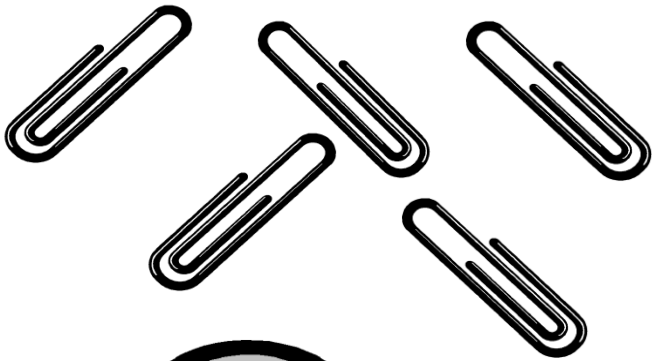
Cr.

—

**Decrease on
Credit Side**

EXAMPLE:

**PURCHASED OFFICE
SUPPLIES FOR \$800 CASH**

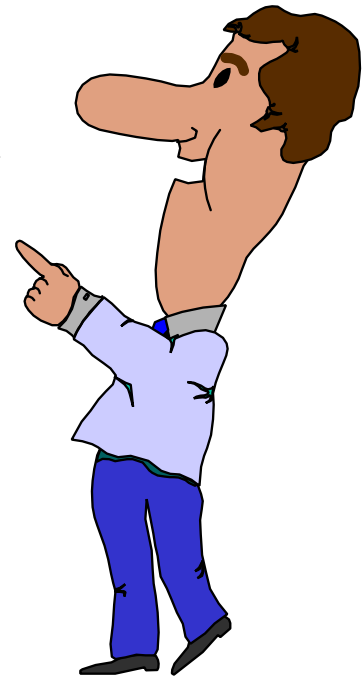


STEP #1

Name the accounts affected:

CASH

**OFFICE
SUPPLIES**



STEP #2

Determine Classification of Accounts



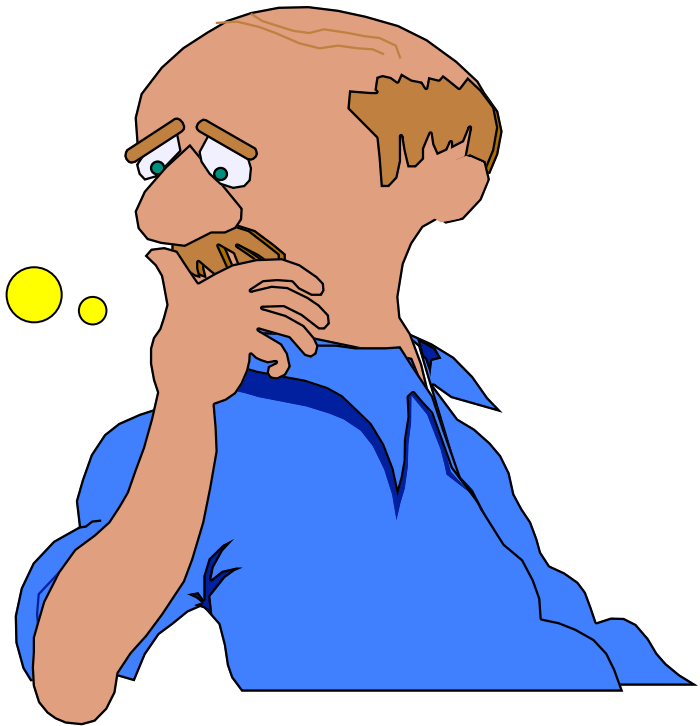
STEP #3

Now that we know the classification, we can identify increase and decrease sides.

CASH		OFFICE SUPPLIES	
DR.	CR.	DR.	CR.
+	—	+	—

PURCHASED OFFICE SUPPLIES FOR \$800 CASH

Did Office Supplies
Increase or Decrease
in this transaction?



INCREASED

OFFICE SUPPLIES

DR.

+

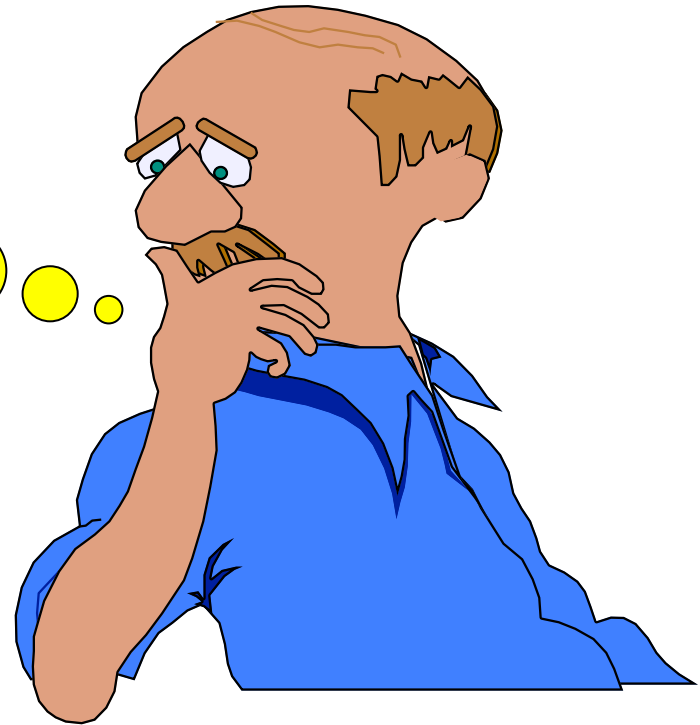
\$800

CR.

—

PURCHASED OFFICE SUPPLIES FOR \$800 CASH

What about Cash?
Increase or Decrease
in this transaction?



DECREASED

CASH

DR.

+

CR.

—

\$800

RULE #2

**IN EVERY TRANSACTION
DEBITS MUST EQUAL CREDITS**

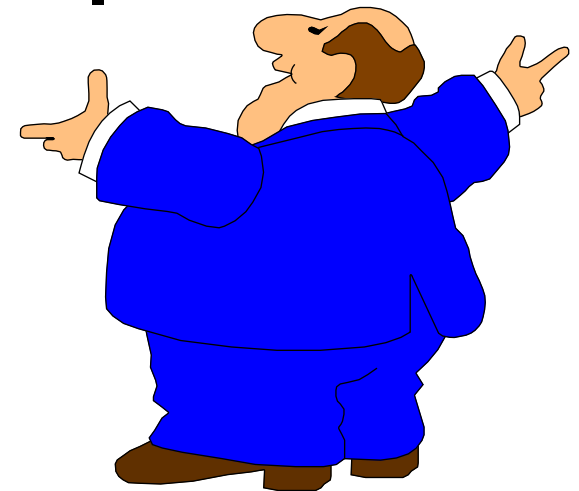
DEBITS = CREDITS

OFFICE SUPPLIES

OFFICE SUPPLIES	
DR.	CR.
+	—
\$800	

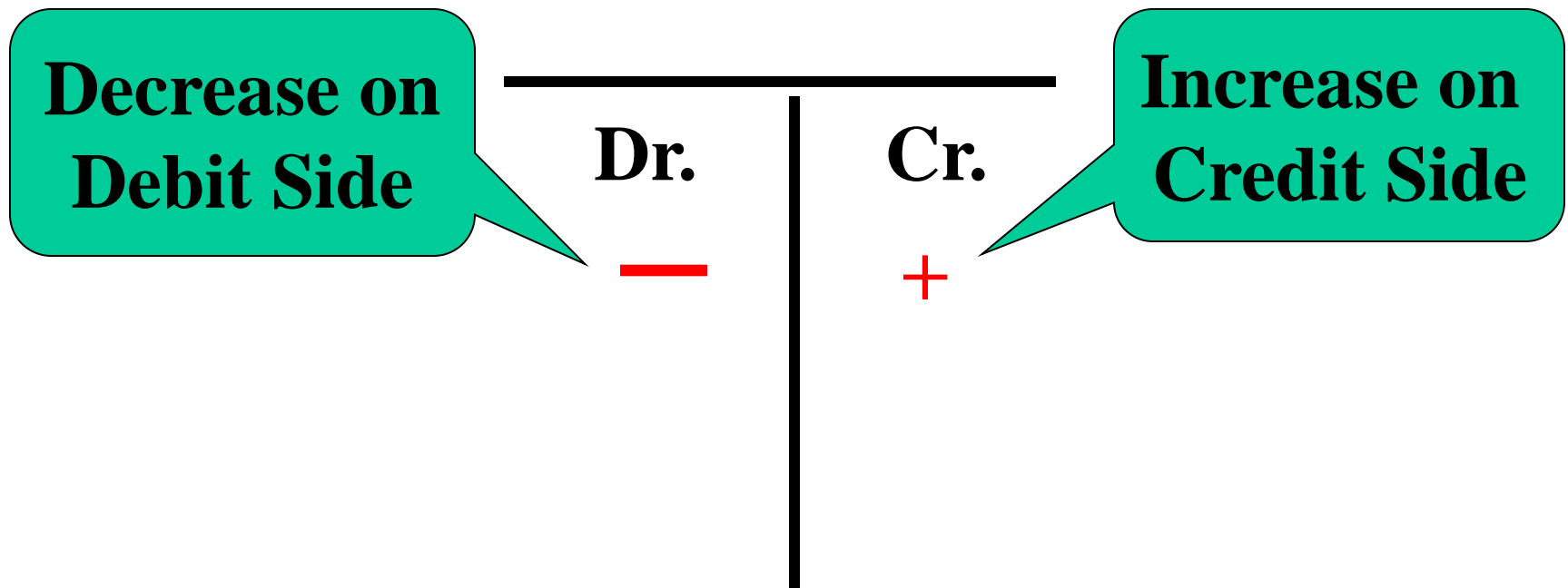
CASH

CASH	
DR.	CR.
+	—
	\$800



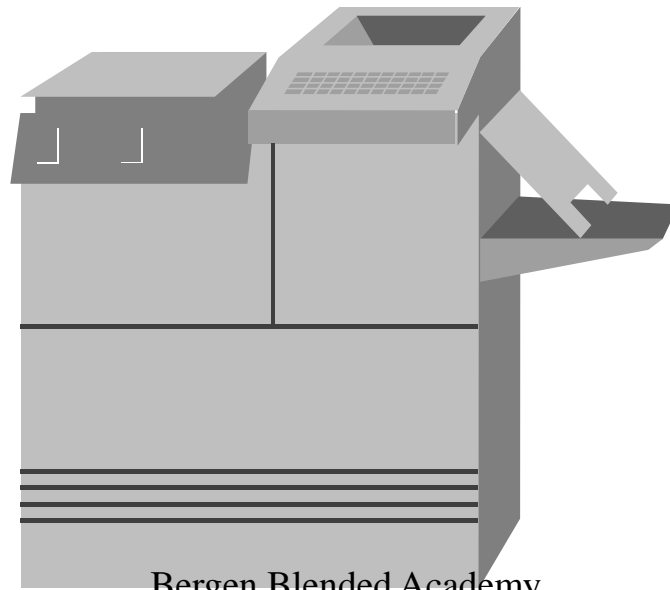
RULE #3

LIABILITY ACCOUNTS



EXAMPLE:

**PURCHASED EQUIPMENT ON
ACCOUNT FOR \$3,000.**



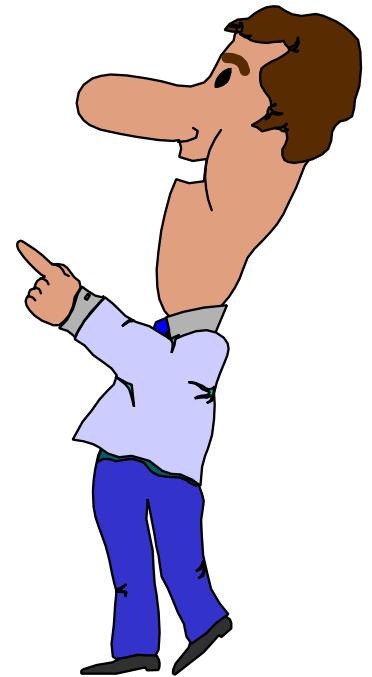
Bergen Blended Academy

STEP #1

Name the accounts affected:

EQUIPMENT

**ACCOUNTS
PAYABLE**



STEP #2

Determine Classification of Accounts:



STEP #3

**Now that we know the classification,
we can identify increase and decrease
sides.**

EQUIPMENT

DR.

+

CR.

—

ACCOUNTS PAYABLE

DR.

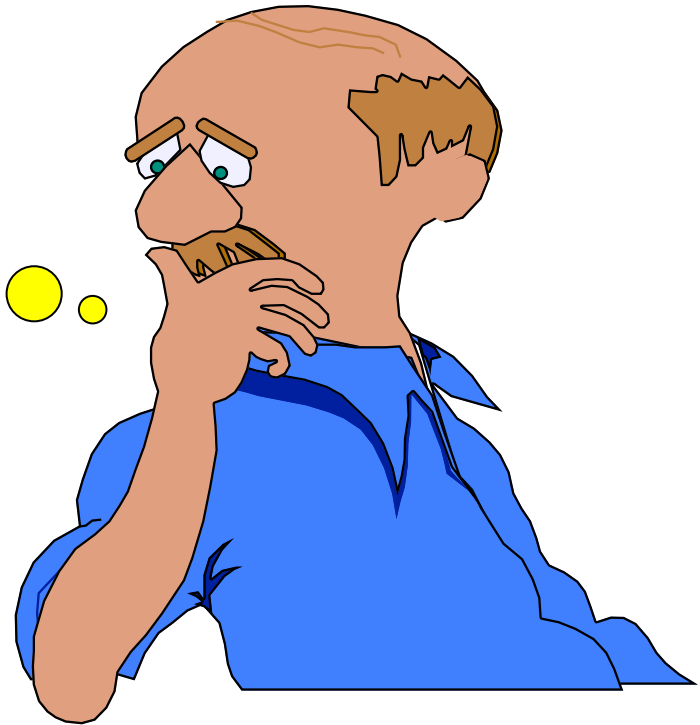
—

CR.

+

PURCHASED EQUIPMENT ON ACCOUNT FOR \$3,000.

Did Equipment
Increase or Decrease
in this transaction?



INCREASED

EQUIPMENT

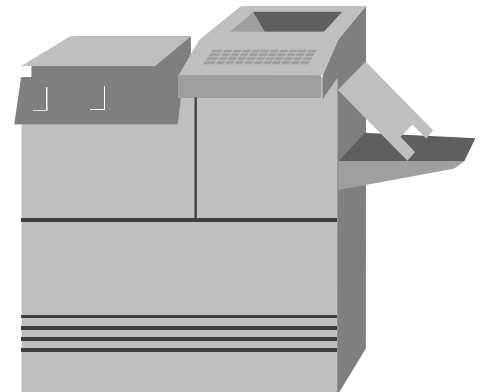
DR.

+

\$3000

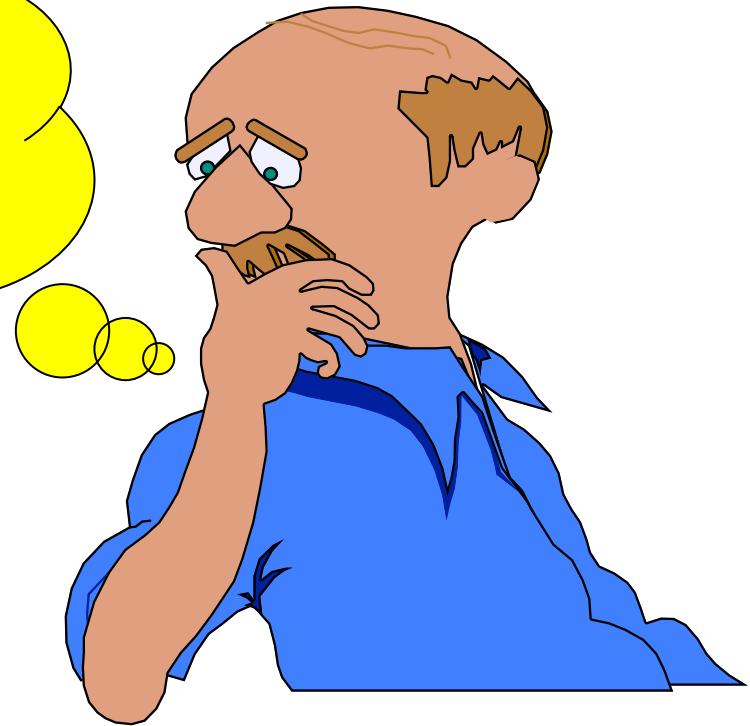
CR.

—



PURCHASED EQUIPMENT ON ACCOUNT FOR \$3,000.

**Accounts Payable?
Increase or Decrease
in this transaction?**



INCREASED

ACCOUNTS PAYABLE

DR.

—

CR.

+

\$3000

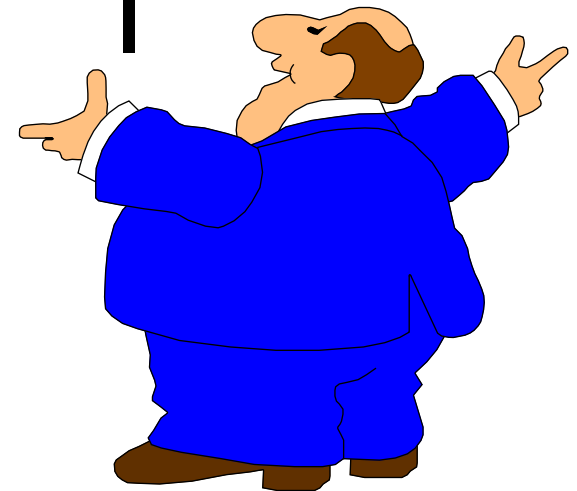
DEBITS = CREDITS

EQUIPMENT

DR.	CR.
+ \$3000	—

ACCOUNTS PAYABLE

DR.	CR.
—	+ \$3000



RULE #4

CAPITAL ACCOUNT

Decrease on
Debit Side

Dr.

—

Cr.

+

Increase on
Credit Side

**JUST LIKE
LIABILITY ACCOUNTS**

EXAMPLE:

**MARY ADAMS, THE OWNER,
INVESTED \$25,000 IN THE
BUSINESS**



STEPS #1 & 2

Name and classify the accounts affected:

OWNER'S EQUITY

M. ADAMS, CAPITAL

DR.

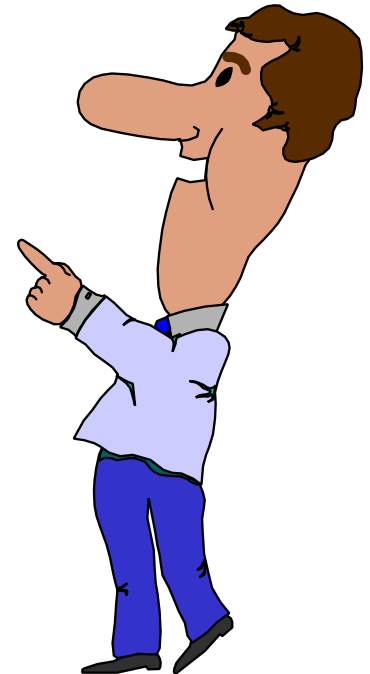
CR.

ASSET

CASH

DR.

CR.



STEP #3

**Now that we know the classification,
we can identify increase and decrease
sides.**

M. ADAMS, CAPITAL

M. ADAMS, CAPITAL	
DR.	CR.
—	+

CASH

CASH	
DR.	CR.
+	—

INCREASED OR DECREASED?



INCREASED

M. ADAMS, CAPITAL

DR.

—

CR.

+

\$25,000



INCREASED

CASH

DR.

+

\$25,000

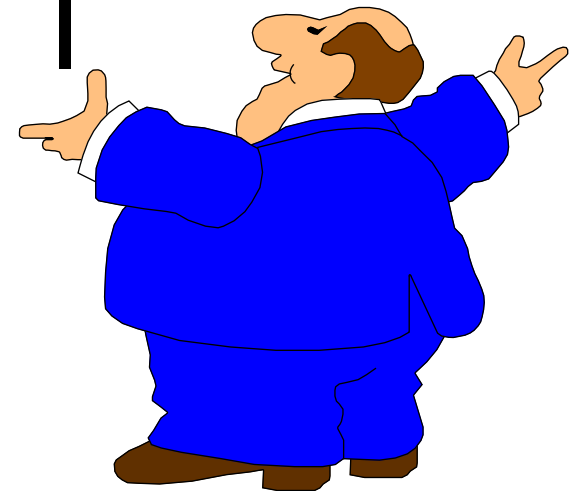
CR.

—

DEBITS = CREDITS

CASH	
DR.	CR.
+	—
\$25,000	

M. ADAMS, CAPITAL	
DR.	CR.
—	+
	\$25,000



RULE #5

DRAWING ACCOUNT

**Increase on the
Debit Side**

Dr.

+

Cr.

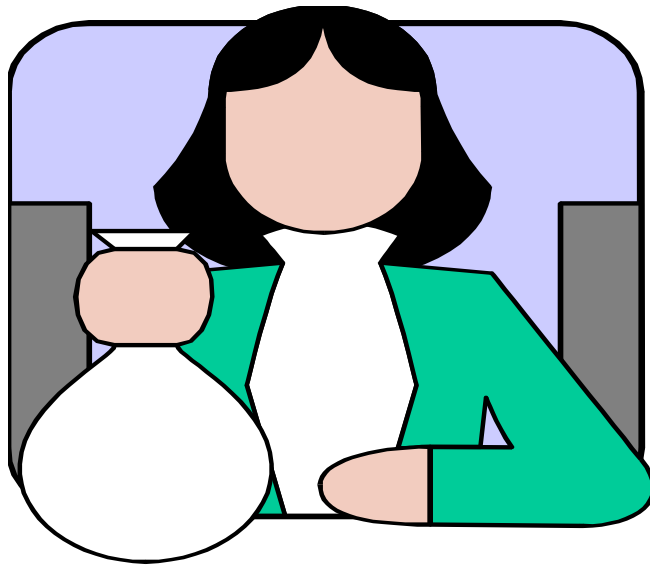
—

**Decrease on the
Credit Side**

**JUST LIKE
ASSET ACCOUNTS**

EXAMPLE:

**MARY WITHDREW \$1,500
FOR PERSONAL EXPENSES**



STEPS #1 & #2

Name and classify the accounts affected:

OWNER'S EQUITY

ASSET

M. ADAMS, DRAWING

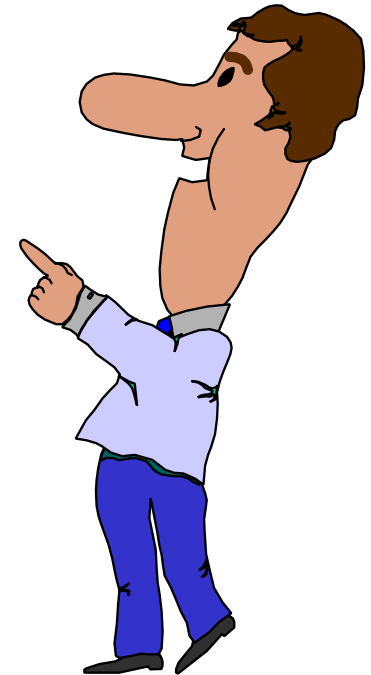
CASH

DR.

CR.

DR.

CR.



STEP #3

**Now that we know the classification,
we can identify increase and decrease
sides.**

M. ADAMS, DRAWING

DR.

+

CR.

—

CASH

DR.

+

CR.

—

INCREASED OR DECREASED?



INCREASED



DECREASED

M. ADAMS, DRAWING

CASH

DR.

CR.

+
\$1,500

—

DR.

CR.

+

—
\$1,500

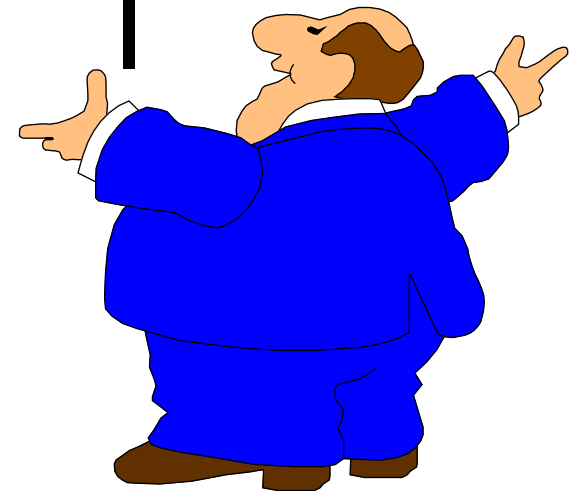
DEBITS = CREDITS

M. ADAMS, DRAWING

DR.	CR.
+	—
\$1,500	

CASH

DR.	CR.
+	—
	\$1,500



RULE #6

REVENUE ACCOUNTS

Decrease on
Debit Side

Dr.

—

Cr.

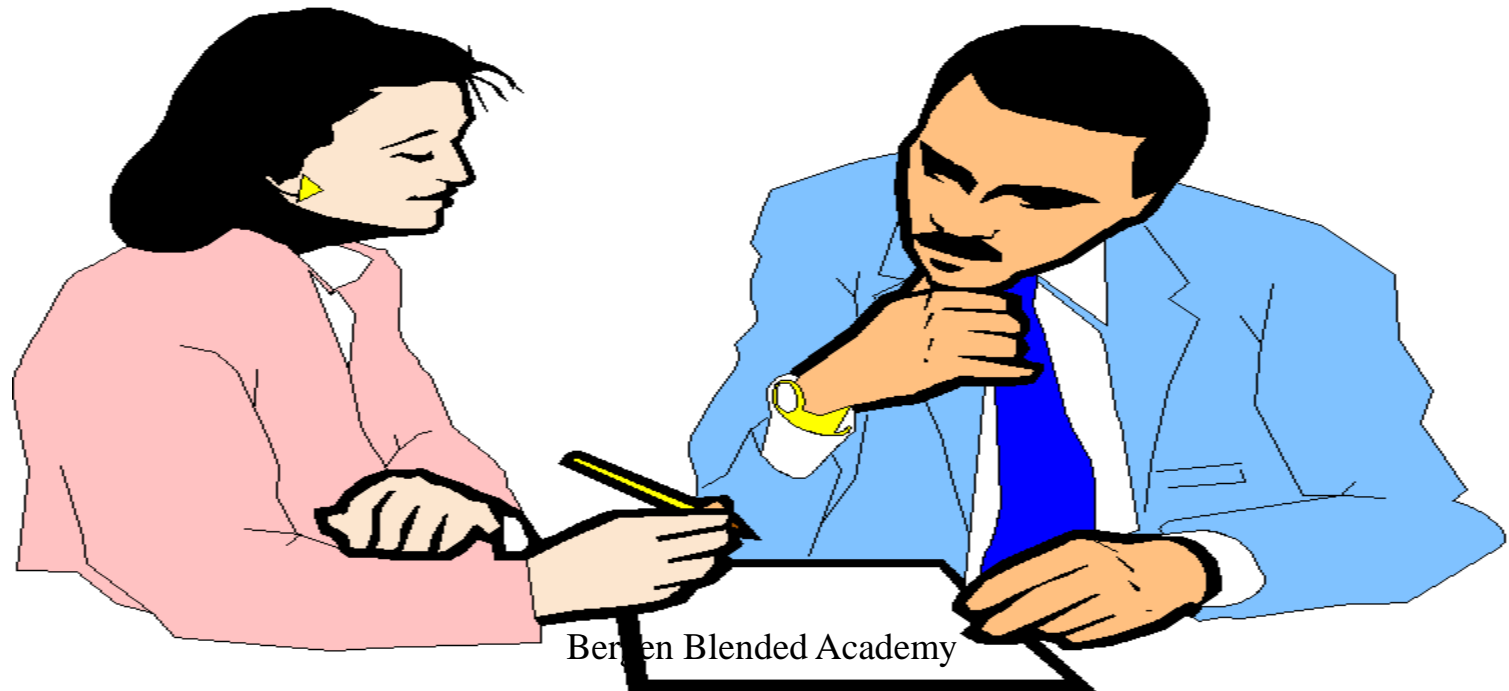
+

Increase on
Credit Side

**JUST LIKE
LIABILITY & CAPITAL
ACCOUNTS**

EXAMPLE:

**MARY PERFORMED SERVICES
AND RECEIVED \$4,500 IN CASH**



STEPS #1 & #2

Name and classify the accounts affected:

REVENUE

CONSULTING FEES

DR.

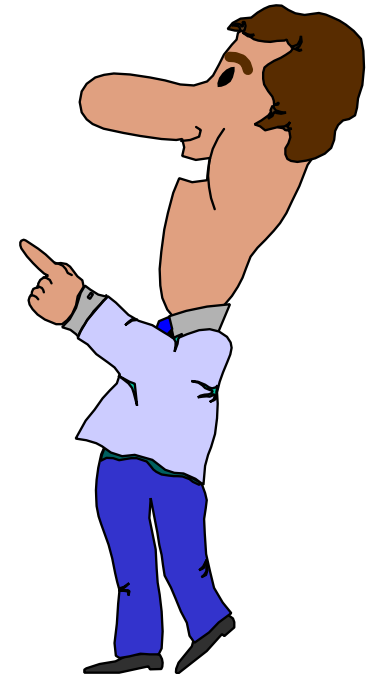
CR.

ASSET

CASH

DR.

CR.



STEP #3

**Now that we know the classification,
we can identify increase and decrease
sides.**

CONSULTING FEES

DR.

—

CR.

+

CASH

DR.

+

CR.

—

INCREASED OR DECREASED?



INCREASED

CONSULTING FEES

DR.

—

CR.

+

\$4,500



INCREASED

CASH

DR.

+

\$4,500

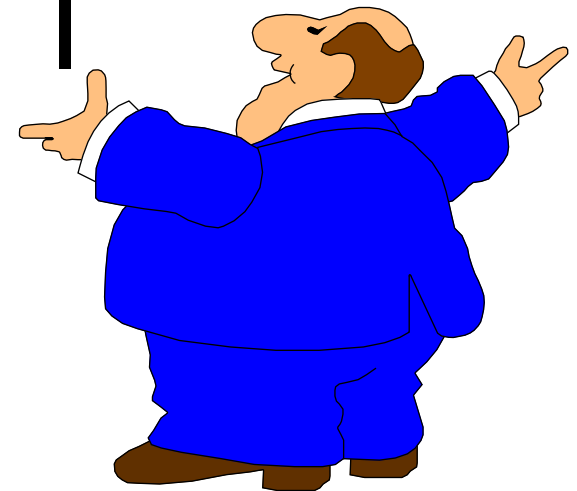
CR.

—

DEBITS = CREDITS

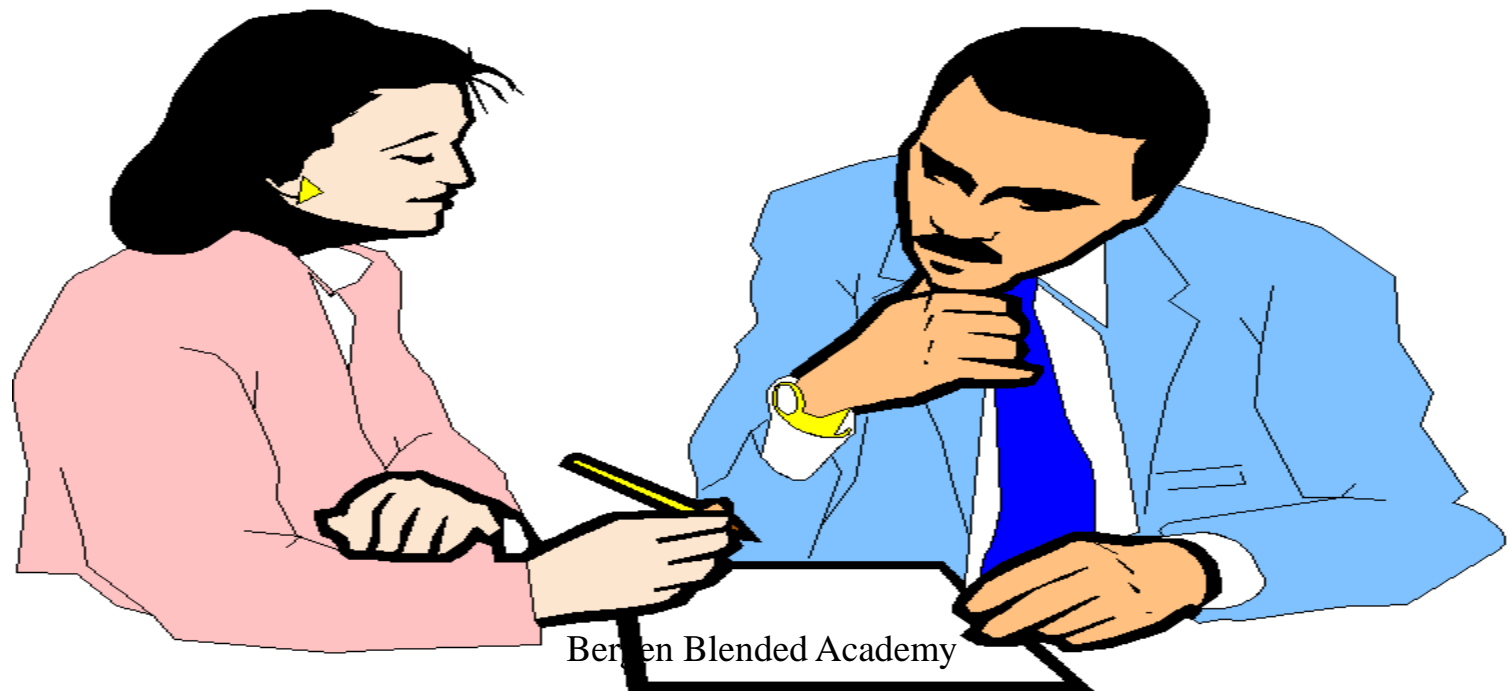
CASH	
DR.	CR.
+	—
\$4,500	

CONSULTING FEES	
DR.	CR.
—	+
	\$4,500



EXAMPLE:

**MARY PERFORMED \$6,000 OF
SERVICES ON ACCOUNT**



DEBITS = CREDITS

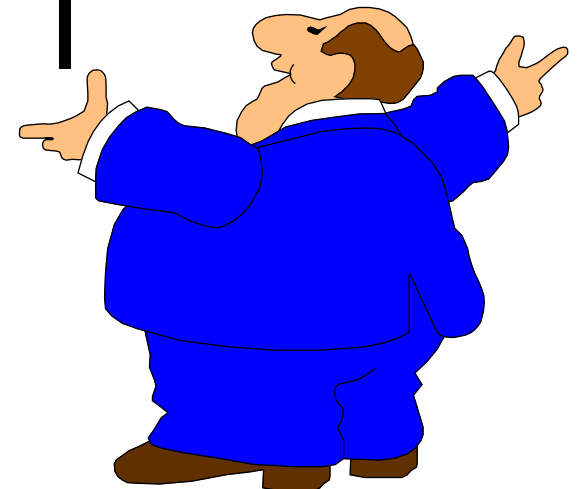
ACCOUNTS RECEIVABLE

DR.	CR.
+	—
\$6,000	

**ACCOUNTS
RECEIVABLE
INSTEAD OF
CASH**

CONSULT. FEES

DR.	CR.
—	+
	\$6,000



RULE #7

EXPENSE ACCOUNTS

**Increase on the
Debit Side**

Dr.

+

Cr.

—

**Decrease on the
Credit Side**

**JUST LIKE
ASSET ACCOUNTS**

EXAMPLE

**MARY ADAMS PAID HER
ASSISTANT \$750 IN WAGES**

STEPS #1 & #2

Name and classify the accounts affected:

EXPENSE

WAGES EXPENSE

DR.

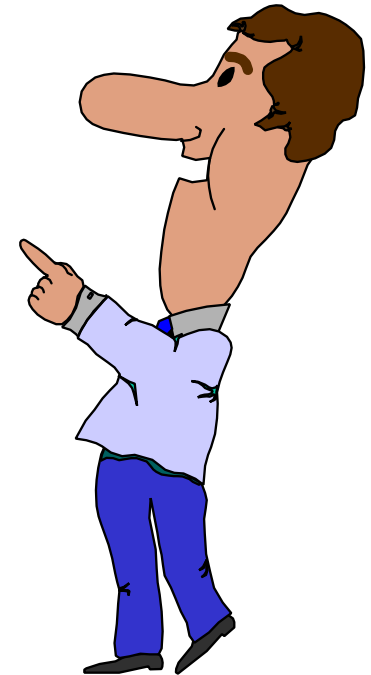
CR.

ASSET

CASH

DR.

CR.



STEP #3

**Now that we know the classification,
we can identify increase and decrease
sides.**

WAGES EXPENSE

DR.
+

CR.
—

CASH

DR.
+

CR.
—

INCREASED OR DECREASED?



INCREASED

WAGES EXPENSE

DR.

+
\$750

CR.

—



DECREASED

CASH

DR.

+

CR.

—
\$750

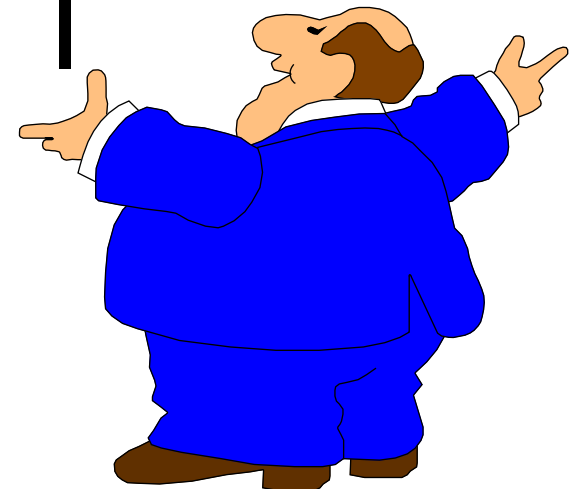
DEBITS = CREDITS

WAGES EXPENSE

DR.	CR.
+	—
\$750	

CASH

DR.	CR.
+	—
	\$750



BALANCING “T” ACCOUNTS

STEP #1
FOOT DEBIT
& CREDIT
SIDES

CASH

2,000	1,200
500	300
570	200
430	50
	80
	200
	300
	650
	150
<u>3,500</u>	<u>3,130</u>

FOOTING

To “Foot” means
to Total

FOOTING

BALANCING A “T” ACCOUNT

□ STEP #2: Find balance by finding the difference between the debit and credit totals.

$$\begin{array}{r} \$3,500 \text{ debit footing} \\ - \$3,130 \text{ credit footing} \\ \hline \$ 370 \text{ balance} \end{array}$$

BALANCING “T” ACCOUNTS

Balance is
written on
side with
larger
total

CASH

2,000	1,200
500	300
570	200
430	50
	80
	200
	300
	650
	150
<u>3,500</u>	
	<u>3,130</u>
370	

BALANCE


TRIAL BALANCE

- **LIST OF ALL ACCOUNTS**
- **INCLUDING THEIR BALANCES**
- **TOTALING DEBITS AND CREDITS**
- **PROVING DEBITS EQUAL CREDITS**
- **USED AS AN AID IN PREPARING FINANCIAL STATEMENTS**


Trial Balance				
June 30, 20--				
Account Title		Debit Balance	Credit Bal	

Academy			

Jessica Jane's Campus Delivery Trial Balance June 30, 20--

Account Title	Debit Balance	Credit Balance
Cash	370 00	
Accounts Receivable	650 00	
Supplies	80 00	
Prepaid Insurance	200 00	
Delivery Equipment	3600 00	
 <p>All Asset accounts listed first</p>		
Bergen Blended Academy		

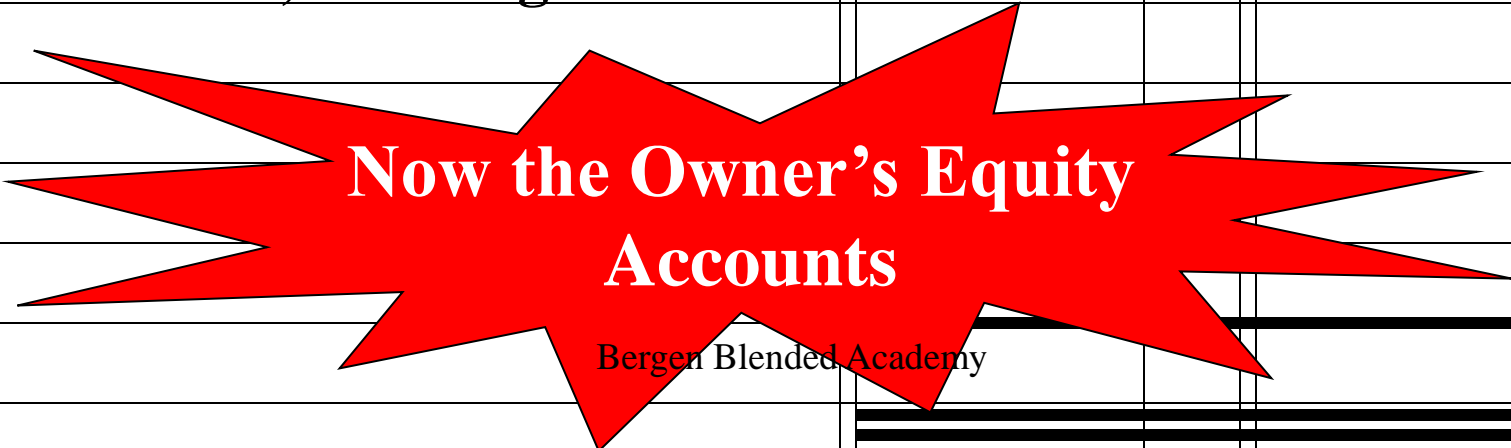
Jessica Jane's Campus Delivery Trial Balance June 30, 20--

Account Title	Debit Balance	Credit Balance
Cash	370 00	
Accounts Receivable	650 00	
Supplies	80 00	
Prepaid Insurance	200 00	
Delivery Equipment	3600 00	
Accounts Payable		1800 00
		
Bergen Blended Academy		

Jessica Jane's Campus Delivery

Trial Balance

June 30, 20--

Account Title	Debit Balance	Credit Balance
Cash	370 00	
Accounts Receivable	650 00	
Supplies	80 00	
Prepaid Insurance	200 00	
Delivery Equipment	3600 00	
Accounts Payable		1800 00
Jessica Jane, Capital		2000 00
Jessica Jane, Drawing	150 00	
 <p style="text-align: center;">Now the Owner's Equity Accounts</p> <p style="text-align: center;">Bergen Blended Academy</p>		

Bergen Blended Academy

Account Title		Debit Balance		Credit Balance	
	Cash	370	00		
	Accounts Receivable	650	00		
	Supplies	80	00		
	Prepaid Insurance	200	00		
	Delivery Equipment	3600	00		
	Accounts Payable			1800	00
	Jessica Jane, Capital			2000	00
	Jessica Jane, Drawing	150	00		
	Delivery Fees			2150	00
	Bergen Blended Academy				

Then the Revenue Account

Jessica Jane's Campus Delivery

Trial Balance

June 30, 20--

Account Title	Debit Balance	Credit Balance
Cash	370 00	
Accounts Receivable	650 00	
Supplies	80 00	
Prepaid Insurance	200 00	
Delivery Equipment	3600 00	
Accounts Payable		1800 00
Jessica Jane, Capital		2000 00
Jessica Jane, Drawing	50 00	
Delivery Fees		2150 00
Wages Expense	650 00	
Rent Expense	200 00	
Telephone Expense	50 00	
Bergen Blended Academy		



Jessica Jane's Campus Delivery

Trial Balance

June 30, 20--

Account Title	Debit Balance	Credit Balance
Cash	370 00	
Accounts Receivable	650 00	
Supplies	50 00	
Prepaid Insurance	100 00	
Delivery Equipment	1800 00	
Accounts Payable		1800 00
Jessica Jane, Capital		2000 00
Jessica Jane, Drawing	150 00	
Delivery Fees		2150 00
Wages Expense	650 00	
Rent Expense	200 00	
Telephone Expense	50 00	
	5950 00	5950 00

It Balances!!!
Debits = Credits