

# Journal Entries

Refresher on...



Debits  
Credits  
Accounts



# Debits & Credits

- Debits are the left of the T account.
  - Debits do **not** mean increase.
  - Debits are not “good” or “bad”.
- 
- Credits are the right of the T account.
  - Credits do **not** mean decrease.
  - Credits are not “good” or “bad”.



# Debits & Credits

Assets, Exp  
& Dividends

<u>DR</u>	<u>CR</u>
Incr.	Decr.
+	-

Liabilities, Equity  
& Revenues

<u>DR</u>	<u>CR</u>
Decr.	Incr.
-	+

↖  
If you remember this  
one, the “other one” is  
the reverse.



# Dual Skill

To do a journal entry, you need to know

1. What accounts are moving/impacted
2. How to classify those accounts
  - Asset?
  - Liability?
  - Equity/Revenue/Expense/Dividend?
3. Where the accounts are going up or down
4. NOW you are ready to declare **debit or credit!**



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-	+

**Memorize** this right now  
Takes about 60 seconds.  
Close your eyes and do it now.



# Impact on accounts

- How do you show new credit sales [**accounts receivable** go up]?
- How do you reflect **prepaid insurance** getting used up [go down]?
- How do you take **land** you sold off the books [no gain or loss]?
- How do you show an increase to **cash** from a customer paying their bill?



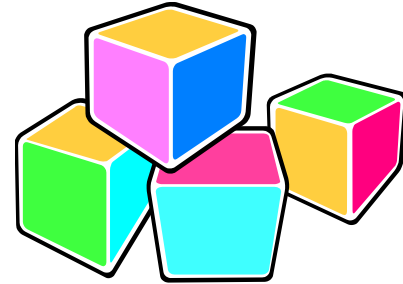
# Impact on accounts

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  - How do you show an increase to **cash** from a customer paying their bill?
- Debit AR
  - Credit Sales Rev.
  - Debit Insurance Exp
  - Credit Prepaid
  - Debit Cash
  - Credit Land
  - Debit Cash
  - Credit AR



# Liability Accounts

- How do you show buying inventory on credit [**accounts payable** goes up]?
- How do you reflect **taxes payable** getting paid [go down]?
- How do you show paying off an **old loan** with a **new loan**?
- How do you show the **obligation to pay workers** after their work is complete but not yet paid?





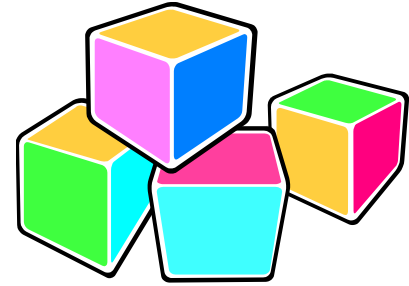
# Liability Accounts

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- How do you show the **obligation to pay workers** after their work is complete but not yet paid?
- Debit Inventory
- Credit Accts Payable
- Debit Tax Payable
- Credit Cash
- Debit Old Loan
- Credit New Loan
- Debit Salaries Expense
- Credit Salaries Payable



# What do you need – debit or credit?

- Make patents go up?
- Make AP go down?
- Make Revenue go up?
- Make Expenses go up?
- Make Mortgage Loan go up?
- Make Salaries payable go down?
- Make Cash go down?



# What do you need – debit or credit?

- Make patents go up?
  - Make AP go down?
  - Make Revenue go up?
  - Make Expenses go up?
  - Make Mortgage Loan go up?
  - Make Salaries payable go down?
  - Make Cash go down?
- Debit
  - Debit
  - Credit
  - Debit
  - Credit
  - Debit
  - Credit



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The key is to memorize and practice what an increase or decrease requires...until it is second nature.



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More practice using on-line quizzes for chapter 7!

Doesn't count towards grade but you will see the scores so you know how you did.

