

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

DR	CR
Incr.	Decr.
+	-

Liabilities, Equity
& Revenues

DR	CR
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?



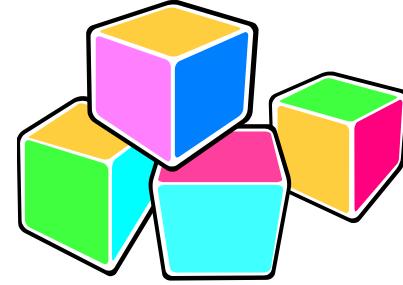
Impact on accounts

- How do you show new credit sales [**accounts receivable** go up]?
 - Debit AR
 - Credit Sales Rev.
- How do you reflect **prepaid insurance** getting used up [go down]?
 - Debit Insurance Exp
 - Credit Prepaid
- How do you take **land** you sold off the books [no gain or loss]?
 - Debit Cash
 - Credit Land
- How do you show an increase to **cash** from a customer paying their bill?
 - 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?



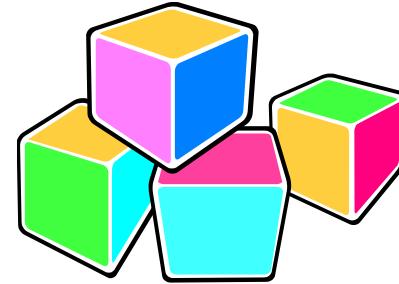
Liability Accounts

- How do you show buying inventory on credit [**accounts payable** goes up]?
 - Debit Inventory
 - Credit Accts Payable
- How do you reflect **taxes payable** getting paid [go down]?
 - Debit Tax Payable
 - Credit Cash
- How do you show paying off an **old loan** with a **new loan**?
 - Debit Old Loan
 - Credit New Loan
- How do you show the **obligation to pay workers** after their work is complete but not yet paid?
 - 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? • Debit
- Make AP go down? • Debit
- Make Revenue go up? • Credit
- Make Expenses go up? • Debit
- Make Mortgage Loan go up? • Credit
- Make Salaries payable go down? • Debit
- Make Cash go down? • 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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+	-

Liabilities, Equity
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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.

