

Chapter Three

The Double Entry Framework

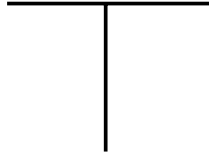
Column Form And "T" Accounts

Cash		Cash	
2,000	2,000	1,200	
(1,200)	500	300	
(300)	570	200	
500	430	50	
(200)		80	
(50)		200	
(80)		300	
(200)		650	
570		150	
...			

"T" Accounts

Shaped
LIKE a "T"

Account name



"T" Accounts

Account name

	Left	Right
English	Izquierda	Derecha
Spanish	Zuo	You
Mandarin	Gauche	Droit
French	Chap	Rast
Farsi		

"T" Accounts

Debit means
Left

Account name

Credit means
Right

Debit Credit



"T" Accounts

Abbreviation
for Debit

Account name

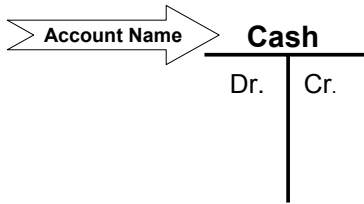
Abbreviation
for Credit

Dr.

Cr.



"T" Accounts



Every "T" Account has:

- An Increase Side
- A Decrease Side
- Some Accounts Increase on the Debit Side
- Some Accounts Increase on the Credit Side



BALANCE SHEET EQUATION

Assets = Liabilities + Owners Equity

What did we get?

How did we get it?

BALANCE SHEET EQUATION

Assets = Liabilities + Owners Equity

Left side

Right side

BALANCE SHEET EQUATION

Jessie Jane invested \$2,000

Assets = Liabilities + Owners Equity

Cash	=	J. Capital
+2,000		+2,000

What did we get?

How did we get it?

BALANCE SHEET EQUATION

Purchased equipment on account, \$900

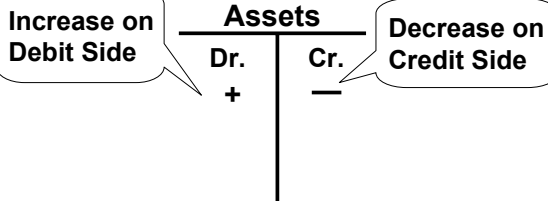
Assets = Liabilities + Owners Equity

Equipment	=	Accounts Payable
+900		+900

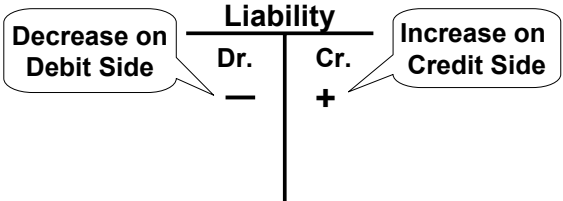
What did we get?

How did we get it?

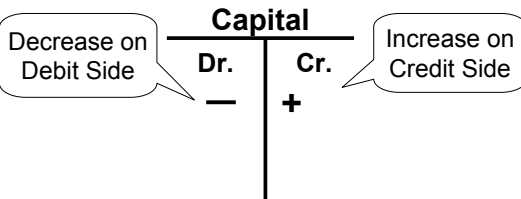
Asset Accounts



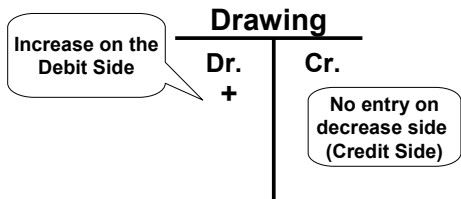
Liability Accounts



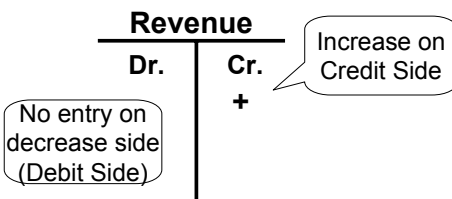
Capital Accounts



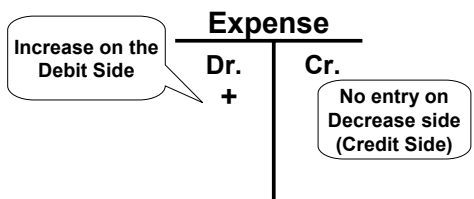
Drawing Account



Revenue Accounts

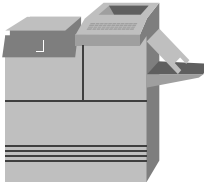


Expense Accounts



Transaction (d)

Made payment, \$300



MADE PAYMENT, \$300

ASSETS = LIABILITIES + EQUITY
(300) (300)

ACCOUNTS
PAYABLE

DR.	CR.
300	+

CASH

DR.	CR.
+	300

What did we get?

How did we get it?

Transaction (e)

Performed services, received
\$500 in cash



SERVICES, \$500

ASSETS = LIABILITIES + EQUITY
+500 +500

CASH

DR.	CR.
+500	—

DELIVERY FEES

DR.	CR.
—	+500

What did we get?

How did we get it?

Transaction (f)

Paid rent for month, \$200



PAID RENT, \$200

ASSETS = LIABILITIES + EQUITY
(200) (200)

RENT EXP.

DR.	CR.
+200	—

CASH

DR.	CR.
+	200

What did we get?

How did we get it?

