

RECORDING ENTRIES USING JOURNAL ENTRIES

LEARNING OBJECTIVES

After completing this module you will be able to:

- Record entries using the journal entry approach.
- Convert balance-sheet-equation entries to debits and credits in journal entries.



Key take-aways:

- Figures 1-3 show the comparison of recording entries using the balance-sheet equation (BSE) approach and journal entries.

Key terms:

- **Journal-entry model**- Record-keeping approach using debits and credits in journal entries and T-accounts. This approach dates to the fifteenth century, before there were negative numbers.
- **Debit**- As an adjective in accounting, it refers to accounts that increase assets or decrease liabilities and owner's equity (e.g., cash is a debit account). As a verb, it refers to increases in debit accounts or decreases in credit accounts (e.g., the entry debits the cash account). Debit also means the left side in the journal entry or T-account.
- **Credit**- As an adjective in accounting, it refers to accounts that increase liabilities or owners' equity or decreases assets (e.g., accounts payable is a debit account). As a verb, it refers to increases in credit accounts or decreases in debit accounts (e.g., the entry credits the cash account). Credit also means the right side in the journal entry or T-account.
- **T-account**- Record-keeping device (shaped like a T) used to summarize account balances for a reporting period by posting the effects of debits and credits recorded in journal entries.

Figure 1 Comparison of Recording Entries Using BSE and JE Approaches

This figure compares the process for recording balance-sheet equation entries and journal entries.

	Step	Task	Balance-Sheet Equation (BSE)	Journal Entries	Converting BSE to Debits/Credits
Recording Entries	1	Determine what happened	Describe business activity in terms of the primary balance sheet classes		
	2	Identify the accounts	Search the chart of accounts, starting with the primary balance-sheet classes to identify the accounts affected		
	3	Characterize the accounts	Determine the accounts' signs	Determine whether the accounts are debit or credit accounts (noun)	An account on the left side of the balance-sheet equation with a positive account sign is a debit account. Changing one (two) underlined words above causes the italicized word to change to a credit (stay a debit)
	4	Determine entry affects on accounts	Determine the entry signs — how the entry affected the accounts	Determine whether the accounts are debited or credited (verb)	An increase to a debit account debts the account. Changing one (two) underlined words above causes the italicized word to change to credits (stay debits)
	5	Record entries	Record the entry using a BSE equation	Record the entry using a journal entry	
	6	Check quality	Does the entry reflect what happen? Does each number have two signs? Does the account sign (first sign from the left) reflect how the account affects its primary class? Does the entry sign (second sign from the left) reflect how the entry affects the account? Does the equation balance mathematically?	Does the entry reflect what happen? Are the debits and credits properly indicated with the accounts debited listed first? Are the total debits equal to the total credits?	
Viewing Activity	View period account activity	Column in the BSE matrix	T-Account	An increase to a debit T-account is recorded on the left side of the T-account. Changing one (two) bold words above causes the italicized word to change to right (stay left)	

Figure 2 Comparison of BSE's Account Signs and Entry Signs and JE's Debits and Credits

This figure compares BSE mini-matrix entries and journal entries' debits and credits.

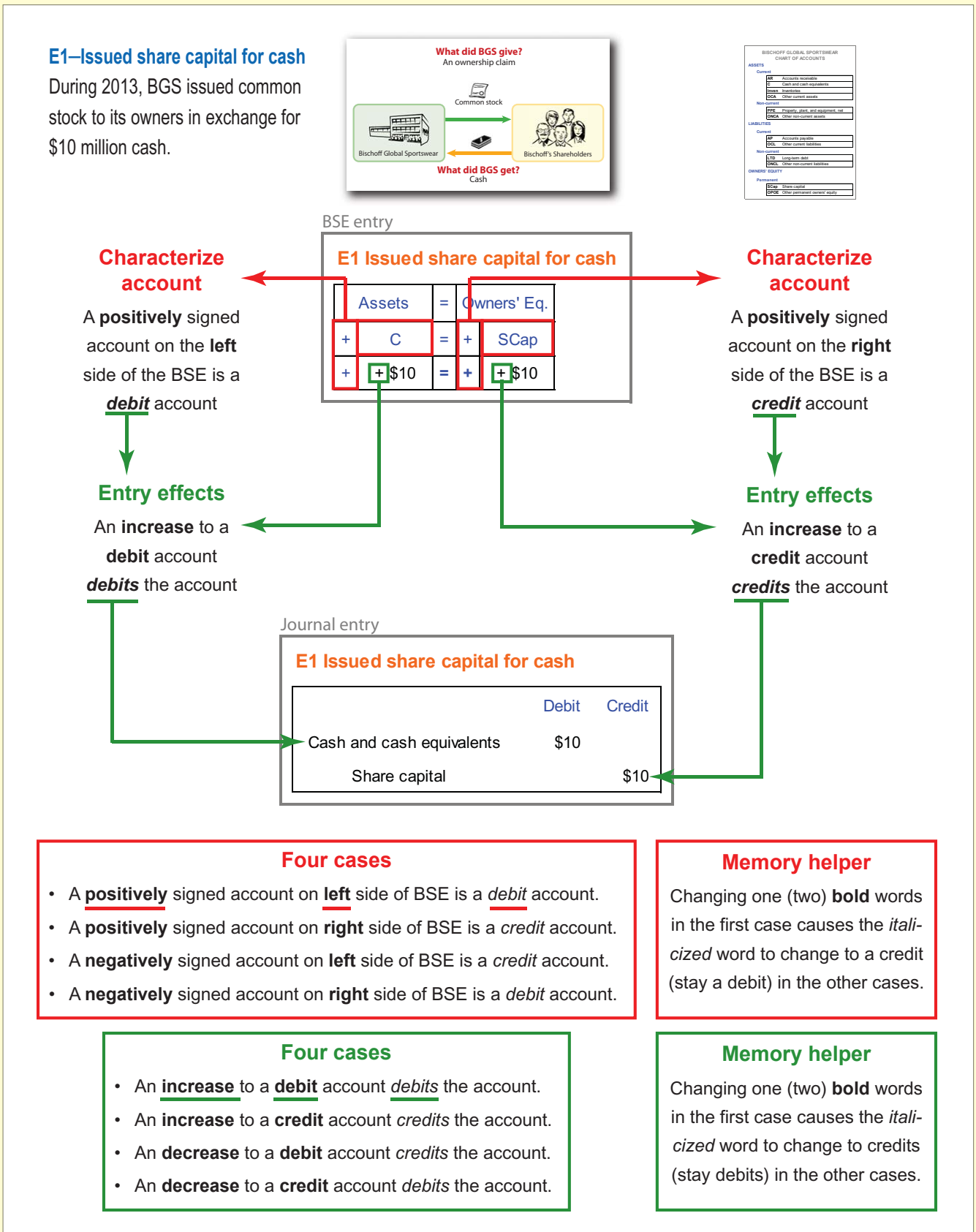


Figure 3 Comparison of BSE Matrix and T-Accounts

This figure compares balance-sheet equation columns and journal entries' T-accounts.

