

# Record Keeping Quick Reference

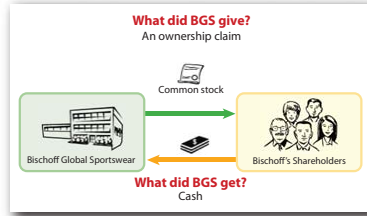
## Comparison of Record-Keeping and Reporting Using the Balance-Sheet-Equation and Journal Entries

	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 <b>left</b> side of the balance-sheet equation with a <b>positive</b> account sign is a <b>debit</b> account.  Changing one (two) <b>underlined</b> words above causes the <b>italicized</b> 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 <b>increase</b> to a <b>debit</b> account <b>debts</b> the account.  Changing one (two) <b>underlined</b> words above causes the <b>italicized</b> 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 <b>increase</b> to a <b>debit</b> T-account is recorded on the <b>left</b> side of the T-account.  Changing one (two) bold words above causes the <b>italicized</b> word to change to right (stay left)	

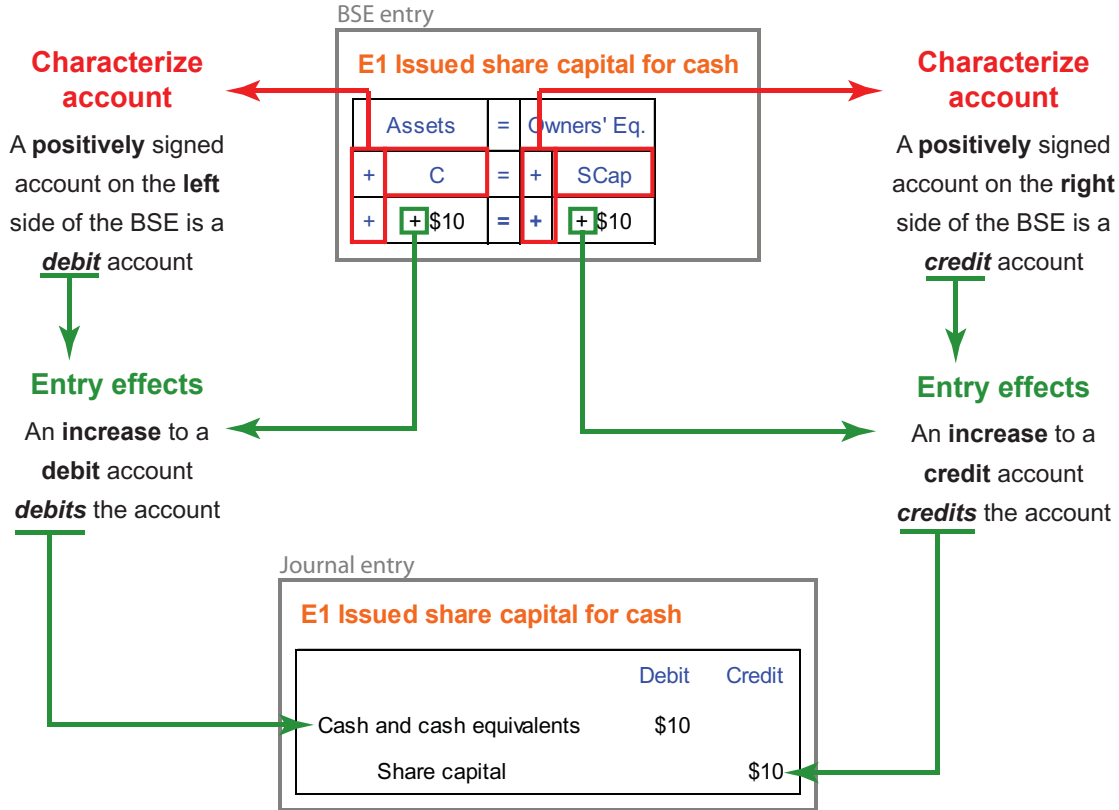


**E1—Issued share capital for cash**

During 2013, BGS issued common stock to its owners in exchange for \$10 million cash.



BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS	
<b>ASSETS</b>	
General	
101	Accounts receivable
102	Cash and cash equivalents
103	Inventory
104	Other current assets
Non-current	
105	Property, plant, and equipment, net
106	Other non-current assets
<b>LIABILITIES</b>	
Current	
201	Accounts payable
202	Other current liabilities
Non-current	
203	Long-term debt
204	Other non-current liabilities
<b>OWNER'S EQUITY</b>	
Paid-in capital	
301	Share capital
302	Other paid-in owner equity



- Four cases**
- A **positively** signed account on **left** side of BSE is a **debit** account.
  - A **positively** signed account on **right** side of BSE is a **credit** account.
  - A **negatively** signed account on **left** side of BSE is a **credit** account.
  - A **negatively** signed account on **right** side of BSE is a **debit** account.

**Memory helper**

Changing one (two) **bold** words in the first case causes the *itali-cized* word to change to a credit (stay a debit) in the other cases.

- Four cases**
- An **increase** to a **debit** account **debits** the account.
  - An **increase** to a **credit** account **credits** the account.
  - An **decrease** to a **debit** account **credits** the account.
  - An **decrease** to a **credit** account **debits** the account.

**Memory helper**

Changing one (two) **bold** words in the first case causes the *itali-cized* word to change to credits (stay debits) in the other cases.

		Assets						=	Liabilities				+	Owners' Equity	
		Current				Non-current		=	Current		Non-current		Permanent		
		C	AR	Inven	OCA	PPE	ONCA	=	AP	OCL	LTD	ONCL	SCap	OPOE	
December 31, 2012		+ \$13	+ \$78	+ \$103	+ \$178	+ \$175	+ \$199	=	+ \$35	+ \$95	+ \$60	+ \$70	+ \$214	+ \$272	
Period Entries	E1	Issued share capital for cash	+ 10					=					+ 10		
	E2	Issued non-current debt for cash	+ 10					=			+ 10				
	E3	Purchased PP&E with cash	- 20				+ 20	=							
	E4	Purchased merchandise for resale			+ 80				=	+ 80					
	E5	Paid invoices due	- 225						=	- 225					
	Other period entries		+ 243	+ 28	- 36	+ \$51	- 1	+ 34	=	+ 135	+ \$2	+ 35	+ 30	+ 29	- 25
December 31, 2013		+ \$31	+ \$106	+ \$147	+ \$229	+ \$194	+ \$233	=	+ \$25	+ \$97	+ \$105	+ \$100	+ \$253	+ \$360	

C	
BB	\$13
E1	\$10
E2	\$10
	E3 \$20
	E5 \$225
	\$243 oth
EB	\$31

Cash is a debit account so its T-account balances and account increases are on the debit (left) side of the T-account.

SCap	
	BB \$214
	E1 \$10
	oth \$29
	EB \$253

Share capital (Scap) is a credit account so its T-account balances and account increases are on the credit (right) side of the T-account.