

Record Keeping Quick Reference

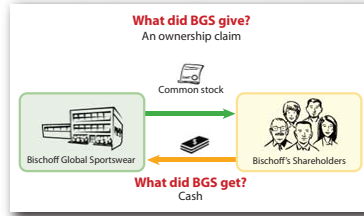
This Quick Reference is for recording entries using the balance-sheet-equation (BSE) and journal entry (JE) approaches and creating T-Accounts.

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 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)	

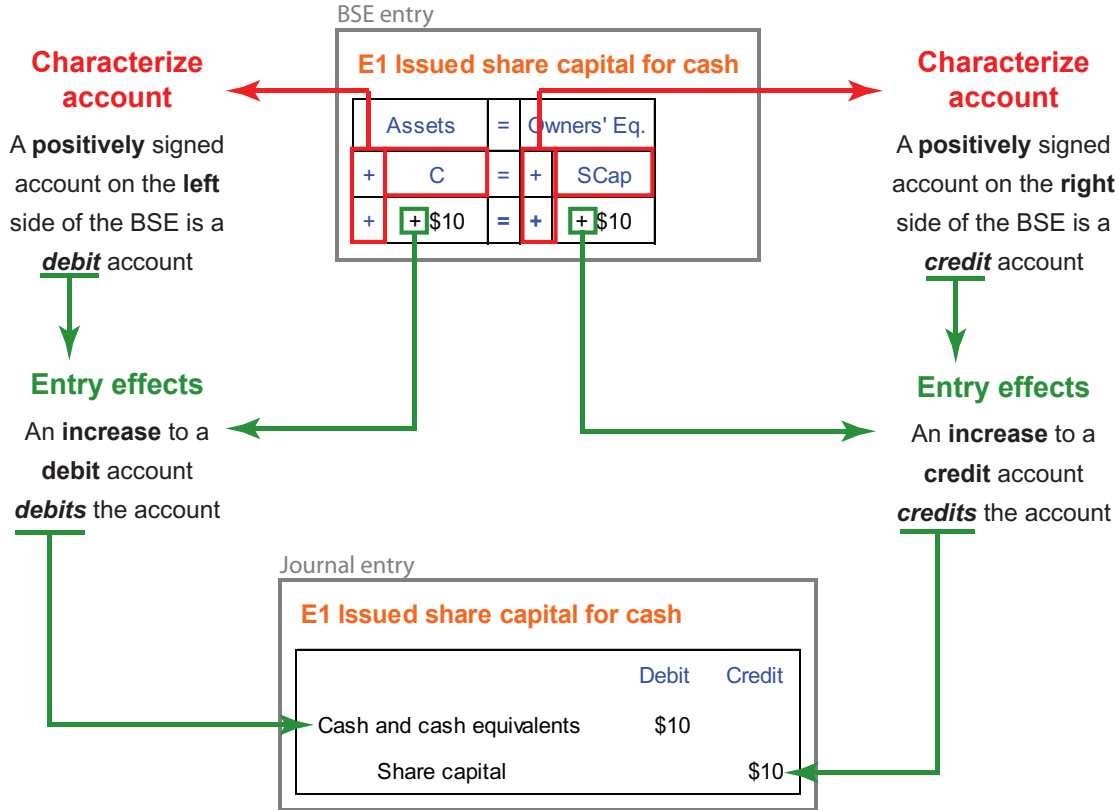


E1—Issued share capital for cash

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



BISCHOFF GLOBAL SPORTSWEAR CHART OF ACCOUNTS	
ASSETS	
General	
AA	Accounts receivable
AC	Cash and cash equivalents
AD	Inventory
AE	Other current assets
Non-current	
AF	Property, plant, and equipment, net
AG	Other non-current assets
LIABILITIES	
General	
AL	Accounts payable
AM	Other current liabilities
Non-current	
AN	Long-term debt
AO	Other non-current liabilities
OWNER'S EQUITY	
Permanent	
AP	Share capital
AQ	Other permanent 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.

Also watch the *Navigating Accounting* videos:

“Framing Record Keeping and Reporting”

<http://www.navigatingaccounting.com/video/express-framing-record-keeping-and-reporting>

“Recording Entries with Balance-Sheet Equations”

<http://www.navigatingaccounting.com/video/express-recording-entries-balance-sheet-equation>

“Recording Journal Entries” (includes creating T-Accounts)

<http://www.navigatingaccounting.com/video/express-recording-journal-entries>