CH. 2 CHEAT CARD — THE RECORDING PROCESS

1 THE ACCOUNT — a T, three parts, nothing more

THE THREE PARTS

1	**THE TITLE**	on top of the T
2	**DEBIT**	always the LEFT side
3	**CREDIT**	always the RIGHT side

debit/credit mean LEFT/RIGHT — never good or bad

CASH

debit (Dr.)	credit (Cr.)
always LEFT	always RIGHT

DOUBLE ENTRY

every transaction hits 2+ accounts

total debits = total credits

one side never moves alone

the 500-year-old machine

2 WHICH SIDE GROWS IT — read the equation's SIGNS

ASSETS	=	LIABILITIES	+	CAPITAL	−	DRAWINGS	+	REVENUES	−	EXPENSES
↑ debit		↑ credit		↑ credit		↑ debit		↑ credit		↑ debit

A · D · E grow by DEBITS

L · OC · R grow by CREDITS

the minus terms flip — that is the whole rule

3 THE PIPELINE — analyze · journalize · post · prove

1 · ANALYZE

which accounts?

debit or credit?

does A = L + E hold?

think it through

→

2 · JOURNALIZE

Supplies	900
Accounts Payable	900

debit at the margin, credit indented

the diary — in order, by date

→

3 · POST

to each account's own page

Dr left · Cr right

then rule off the balance

the ledger

→

4 · TRIAL BALANCE

Dr	Cr
17,850	17,850

balanced ✓

the matching test

BALANCED ≠ RIGHT — it cannot see:

a missing entry · a doubled entry · a right amount in a wrong account

THE REPAIR · CORRECTING ENTRY

Dr the right page, Cr the wrong one