



# MASTERING THE FUNDAMENTALS: THE THREE ESSENTIAL PRINCIPLES OF ACCOUNTING

# INTRODUCTION

Accounting is the language of business. Its three essential principles are **recording, classifying** and **summarizing** financial transactions. This presentation will cover the fundamentals of accounting.



## THE THREE GOLDEN RULES



The three golden rules of accounting are:

**Debit the Receiver, Credit the Giver.**

**Debit what Comes in, Credit what Goes out.**

**Debit Expenses and Losses, Credit.**

**Incomes and Gains** These rules form the foundation of accounting and are essential in maintaining accurate financial records.

# RULE 1: DEBIT THE RECEIVER, CREDIT THE GIVER

The first rule states that **debit the receiver, credit the giver**.

This means that when something of value is **received**, it is recorded as a **debit**, and when something is **given**, it is recorded as a **credit**.

For example, when a business receives cash from a customer, it is recorded as a debit in the cash account and a credit in the accounts receivable account.



## RULE 2: DEBIT WHAT COMES IN, CREDIT WHAT GOES OUT

The second rule states that **debit what comes in, credit what goes out.**

This means that when something **comes into** the business, it is recorded as a **debit**, and when something **goes out**, it is recorded as a **credit**.

For example, when a business purchases inventory, it is recorded as a debit in the inventory account and a credit in the accounts payable account.



## RULE 3: DEBIT EXPENSES AND LOSSES, CREDIT INCOMES AND GAINS



The third rule states that **debit expenses and losses, credit incomes and gains**.

This means that when an **expense or loss** is incurred, it is recorded as a **debit**, and when an **income or gain** is earned, it is recorded as a **credit**.

For example, when a business pays rent, it is recorded as a debit in the rent expense account and a credit in the cash account.

# CONCLUSION

In conclusion, the three golden rules of accounting are the foundation of accurate financial record keeping.

By applying these rules, businesses can ensure that their financial data is accurate and useful in making informed decisions.