The accounting equation grid discussed in Section 1.4 displays the transactions in an easy-to-read format in terms of the accounts impacted and the related amounts. However, this layout becomes a bit cumbersome when a large number of transactions are involved. The accounting process is streamlined by instead using two record keeping processes for analyzing, classifying and recording transactions. These are the **journal** and the **ledger**.

Financial transactions are written down throughout the accounting period as they happen in a record book called the **journal.**

This is a sample of a few rows in a journal. It has four columns:*Date, Account, Debit, Credit.*



“In the journal, the column heading Debit means “left” and Credit means “right” in terms of the column where an account’s dollar amount should be entered.”

## Rules of Debit and Credit

Whether an account’s amount should be entered in the debit column or the credit column is based on (1) the type of account it is and (2) whether the account is increasing or decreasing. The following table summarizes the rules of debit and credit for commonly used accounts.





## Interactive Exercise 3 – Account classifications and behaviors

Instruction**:** For each account listed, select its corresponding account type and whether it would increase with either a debit or a credit.

