##### 

The accounting equation grid discussed in [Section 1.4](file:///C:\Users\Neelu_singh\Dropbox\Accounting%20Courseware\Chapter_1_Introduction_to_business_and_accounting_concepts\documents\ITEM_CODE:Chapter_1_Introduction\Common_Accounting_Transactions) 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.*



Tip

Credit and Debit come from the Latin words credre and debere, respectively. Credre means “to entrust,” and Debere means “to owe”.

In financial accounting, “Dr” (Debit) indicates the left side of a ledger account and “Cr” (Credit) indicates the right.

## Rules of Debit and Credit



Whether an account’s amount should be entered in the debit column or the credit column is based on

* Type of account
* 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 below under column ACCOUNTS, enter its corresponding account type and whether it would increase with either a debit or a credit.

