

FCA DEVESH THAKUR

RULES OF DEBIT AND CREDIT

Handwritten Accounting Notes



Rule of Debit & Credit

Source Document

- Purchase (Purchase bill / Expense bill)
- Sales (Tax Invoice)
- Debit Note
- Credit Note

Rule of Debit (Dr)

Credit (Cr) Applied

Recorded in the Books of Accounts to prepare

- Financial Statements

Transactions

Posting in ledgers

- Trial Balance

Financial Statement

What is Debit & Credit

Dr. Debit

Cash Account

₹

Cr. Credit

Left side

Right side

Jab hum Dr. side pe entry karte hai use hum Kehte hai ki "We have debited the Account"

Likewise Jab Cr. karte hai, to Kaha jata hai "We have Credited the Account"

Eg:-

Cash account is debited with ₹ 5,000/-

Has transaction Ke 2 aspects hote hai

eg: Mrs Vasma purchased 2 pens for ₹ 25/- in cash.

Double Entry System

[Where one account is debited and other account is Credited]

→ for every business transaction

[Every transaction we made]

Kis basis pe decision lenge Ki Kaun sa account

Debit kama hai aur **Kaun sa account** **Credit**

Traditional

Classification of Accounts

Modern



Classified in 2 Groups

5 Categories

Traditional Approach

Personal Account



relates to Ind. Firm, Co.

hamne Sale Kasi to

Mr. X on Credit

Ale Kyu banaya??

taki pala Kar sake

ki is Customer (Debtor)

Se Kitna balance due hai

hamne kuch purchase

kia on Credit from

Sharma & Co.

Purchase = Due to | Due from

Dr: The Receiver

Cr: The Giver

Artificial Person as per State

eg:- ab yaha par jo Individual receive

Kar gaha hoga uska Ale hum Dr. Karenge

Likewise jo Individual kuch de gaha hoga uska Ale hum Cr. Karenge

> Natural person - Ms Sharma Ale

Ms Thakur Ale

> Artificial person - HDFC Bank Ale

Bajaj finserve

> Representative - O/S Salary Ale

Personal Ale (Represent Employers)

(Represent group of people)

- Prepaid Rent Ale

- Accrued Income

- Unearned Income (entires)

Traditional Approach

Personal Account



Real Account



Nominal Account



relates to Ind. Firm, Co.

hamne Sale Kasi to Mr. X on Credit

Alc Kyu banaya??

taki pala Kar sake ki is Customer (Debtor) Se Kitna balance due hai

hamne Kuch purchase Kia on Credit from Sharma & Co.

Purpose = Due to | Due from

Dr: The Receiver

Cr: The Giver

Associated with

Assets

Tangible

Physical Existence

eg: Property Plant & mlc

Intangible

No Physical existence

eg: Trade mark

Associated with

Revenue

Expenditures

Gains

Losses

Net Result

Profit / Loss

Transferred to

Capital Alc

Agar Koi Asset business mein aghi hai to us Asset Alc ko Dr. Karenge otherwise Cr.

Dr: What Comes in

Cr: What goes out

Dr: Expenses & losses

Cr: Income & gains

Positive Reason or Negative Reason

Nominal A/c

Agar Kisi Nominal A/c

↳ Interest | Salary

Ke age

- Prepaid [Prepaid Rent, Prepaid Insurance]

- Outstanding [Outstanding Salary]

jaise prefix

agar add kar

diye jae

↳ to use hamara
personal account
han jata hai

Example

S.No	Account	Nature	Debit/Credit	Rule
1	Salary Paid	Nominal	Debit	All Expenses/ Losses
2	Computer Purchased	Real	Debit	What comes in [Asset Increase]
3	Sale	Nominal	Credit	All Income
4	Discount Allowed	Nominal	Debit	All Expenses/ Losses
5	Copyright received	Real	Debit	What comes in [Asset Increase]
6	Carriage Inward	Nominal	Debit	All Expenses/ Losses
7	Printer sold	Real	Credit	What goes out [Asset decrease]

Modern Classification

Asset Liability Capital Revenue Expense

Asset Expense Liability Capital Revenue

Fixed Asset Non fixed asset Revenue Capital Long Term Short Term Operational Other

Asset	Expense	Liability	Capital	Revenue
Dr: ↑ Increase	Dr: ↑ Increase	Dr: ↓ Decrease	Dr: ↓ Decrease	Dr: ↓ Decrease
Cr: ↓ Decrease	Cr: ↓ Decrease	Cr: ↑ Increase	Cr: ↑ Increase	Cr: ↑ Increase

Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
↑	↓	↑	↓	↓	↑	↓	↑	↓	↑

Example

S.No	Particulars	Amount
1	Laxmi started business with cash	75,000
2	Deposited Cash into HDFC Bank	10,000
3	Withdrawn cash from HDFC Bank (Business Use)	5,000
4	Withdrawn cash from HDFC Bank (Personal Use)	7,000
5	Purchase computer in cash	65,000
6	Sold goods to Mr. Varma on credit	15,000
7	Rent paid through HDFC Bank	5,000
8	Borrowed from Mrs. Sharma	1,00,000
9	Cheque receive from Mr. Varma	5,000
10	Cash Paid for Stationery	500

S.No	Particulars	Accounts relate to	Nature	Increase/Decrease	Debit	Credit
1	Laxmi started business with cash	Cash	Asset	Increase	75,000	
		Capital	Capital	Increase		75,000
2	Deposited Cash into HDFC Bank	HDFC Bank	Asset	Increase	10,000	
		Cash	Asset	Decrease		10,000
3	Withdrawn cash from HDFC Bank (Business Use)	Cash	Asset	Increase	5,000	
		HDFC Bank	Asset	Decrease		5,000
4	Withdrawn cash from HDFC Bank (Personal Use)	Drawing	Capital	Decrease	7,000	
		Cash	Asset	Decrease		7,000
5	Purchase computer in cash	Computer	Asset	Increase	65,000	
		Cash	Asset	Decrease		65,000
6	Sold goods to Mr. Varma on credit	Mr. Varma	Asset	Increase	15,000	
		Sales	Revenue	Increase		15,000
7	Rent paid through HDFC Bank	Rent	Expense	Increase	5,000	
		HDFC Bank	Asset	Decrease		5,000
8	Borrowed from Mrs. Sharma	Cash	Asset	Increase	1,00,000	
		Loan from Mrs. Thakur	Liability	Increase		1,00,000
9	Cheque receive from Mr. Varma	HDFC Bank	Asset	Increase	5,000	
		Mr. Varma	Asset	Decrease		5,000
10	Cash Paid for Stationery	Stationery	Expense	Increase	500	
		Cash	Asset	Decrease		500

STAY CONNECTED

by FCA Devesh Thakur

<https://linktr.ee/cadeveshthakur>

