

**NATURE OF ACCOUNT RULES**

In the double entry system of accounting, every transaction should have an offsetting debit and credit entry when posting a transaction. The general ledger is comprised of Assets, Liabilities, Fund Equity, Revenue and Expenses. Sometimes it can be confusing as to what should be debited and what should be credited in a transaction.

The UGAFMS (PeopleSoft) system identifies positive amounts as DEBITS and negative amounts as CREDITS.

<p><b>RULE #1 - SIGNS</b>                  Positive \$ amount = DEBIT                  Negative \$ amount = CREDIT</p>
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**T - Accounts**

Knowing how a balance sheet category (assets, liabilities, fund equity, revenues and expenses) increase or decreases is very important when entering transactions. The best way to explain this is with a T - Account.

<b>RULE #2 - ACCOUNT NATURE</b>					
<b>ASSETS</b> 1xxxxx		<b>LIABILITIES</b> 2xxxxx		<b>FUND EQUITY</b> 3xxxxx	
Debit (+)	Credit (-)	Debit (+)	Credit (-)	Debit (+)	Credit (-)
Add	Subtract	Subtract	Add	Subtract	Add
<b>EXPENSES</b> 5xxxxx thru 999999		<b>REVENUES</b> 4xxxxx			
Debit (+)	Credit (-)	Debit (+)	Credit (-)		
Add	Subtract	Subtract	Add		

**Each account has a debit and credit side, but as you can see, not every account adds on the debit side or subtracts on the credit side.**

As you prepare transactions for Journal Entries, you must ask yourself, "What am I doing to this account?".

- Increasing Expenses? Debit the Expense account
- Reducing Expense? Credit the Expense account
- Increasing Revenue? Credit the Revenue account
- Decreasing Revenue? Debit the Revenue account