

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.

RULE #1 - SIGNS

Positive \$ amount = DEBIT
 Negative \$ amount = CREDIT

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.

ASSETS		LIABILITIES		FUND EQUITY	
Debit (+)	Credit (-)	Debit (+)	Credit (-)	Debit (+)	Credit (-)
Add	Subtract	Subtract	Add	Subtract	Add
EXPENSES		REVENUES			
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 Expense? Debit the Expense account

Reducing Expense? Credit the Expense account

Increasing Revenue? Credit the Revenue account

Decreasing Revenue? Debit the Revenue account