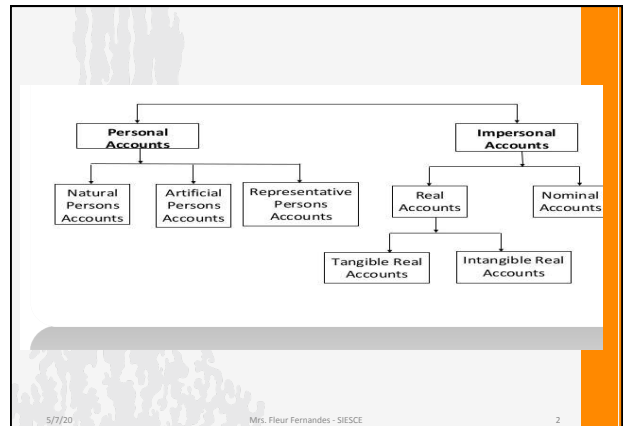


Basics of Journal entries

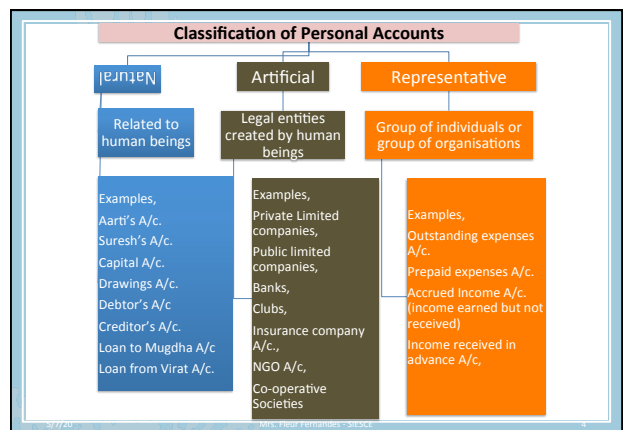
Mrs. Fleur Fernandes
Assistant Professor
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PERSONAL ACCOUNT

Related to individuals, organisations, firms or groups of these

Examples:
 Nadeem's A/c.
 Bindi Pvt. Ltd. A/c.
 Capital A/c. (money brought by owner of business)
 Drawings A/c. (money withdrawn by owner of business)
 Bank A/c. (bank is an organisation)
 Debtor's A/c. (individual or organisation who purchased goods from us on credit)
 Creditor's A/c. (person or individual from whom we purchased goods on credit)
 Prepaid expenses A/c. (Individual or organisation to whom we have paid money in advance)
 Outstanding expenses A/c. (individuals or organisations to whom our payment is pending)
 Loan to Suhas A/c., Loan from Sneha A/c., Bank Loan A/c.



REAL ACCOUNT

Related to Properties or Assets. These may be tangible or intangible.

Examples,
 Intangible – Goodwill, Patents, Copyrights, Trademarks, etc.

Tangible – Building, Furniture, Machinery, Land, Office premises, Vehicle, Livestock, etc.

NOMINAL ACCOUNT

Related to Incomes, Expenses, Profits and Losses
 These accounts are closed every year and starts afresh with zero balance in the next year.

Examples,
 Rent A/c,
 Salaries A/c,
 Wages A/c,
 Sales A/c,
 Interest earned A/c, Interest (paid) A/c,
 Commission earned A/c, Commission (paid) A/c,
 Power and fuel A/c,
 Gross Profit A/c, Net Profit A/c

THREE GOLDEN RULES OF ACCOUNTING

PERSONAL ACCOUNT

DEBIT THE RECEIVER, CREDIT THE GIVER

REAL ACCOUNT

**DEBIT WHAT COMES IN,
CREDIT WHAT GOES OUT**

NOMINAL ACCOUNT

**DEBIT ALL EXPENSES AND LOSSES,
CREDIT ALL INCOMES AND GAINS**

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Transaction	Affected accounts	Nature	Classification	Rule applicable	Journal entry
Earned Rs. 3,000/- as interest on bank account	Cash A/c.	Property	Real A/c	Cash received- Debit what comes in	Cash A/c...Dr.
	Interest earned A/c.	Income	Nominal A/c	Credit all incomes	To Interest earned A/c.
Jayesh, the owner invests Rs.50,000/- into the business	Cash A/c	Property	Real A/c	Cash received- Debit what comes in	Cash A/c...Dr.
	Capital A/c (owner's account)	Individual	Personal A/c	Giver of cash – Credit the giver	To Capital A/c.
Purchased goods worth Rs.700 from Prerna on credit	Purchases A/c	Expense	Nominal A/c	Debit all expenses	Purchases A/c...Dr.
	Prerna's A/c	Individual	Personal A/c	Giver of goods -Credit the giver	To Prerna's A/c

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Transaction	Affected accounts	Nature	Classification	Rule applicable	Journal entry
Sunil paid rent of Rs. 1,500/-	Sunil A/c.	Individual	Personal A/c	Paid money - Credit the giver	Rent A/c ...Dr.
	Rent A/c.	Expense	Nominal A/c	Debit all expenses	To Sunil's A/c.
Sold goods to Piyush worth Rs.100 on credit	Piyush	Individual	Personal A/c	Receiver of goods – Debit the receiver	Piyush's A/c....Dr.
	Sales	Income	Nominal A/c	Income – Credit all incomes	To Sales A/c.
Purchased goods worth Rs.500 on cash basis	Purchases A/c	Expense	Nominal A/c	Debit all expenses	Purchases A/c...Dr.
	Cash A/c	Property	Real A/c	Credit what goes out	To Cash A/c

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