Golden Rules:

Simplifying Accounting Principles

Golden Rules of Accounting

Golden Rules of Accounting

- The Golden Rules of Accounting are basic principles for recording transactions. They are part of the double-entry system, where every transaction affects two accounts to keep them balanced.

  In this system:

- Debit Aspect: A debit increases assets or expenses, and decreases liabilities or owner's equity.
- Credit Aspect: A credit increases liabilities or owner's equity, and decreases assets or expenses.

Understanding the Golden Rules of Accounting

Real Account

Rule: Debit what comes in,
Credit what goes out.

Example:

- Building
- Machinery
- Cash
- Land
- Inventory

Personal Account

Rule: Debit the receiver,
Credit the giver.

Example:

- **Artificial Person**
- **Person name**
- **Drawing**
- **Capital**
- **Bank**

Nominal Account

Rule: Debit all expenses and losses,
Credit all incomes and gains.

Example:

- Rent Expense
- Wages Expense
- Sales Revenue
- Interest Income
- Advertising Expense

Using the Golden Rules of Accounting

Q1- Business started with Rs. 100000/-

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Cash	Real	100000	
Credit Side	Capital	Personal		100000

Q2- A business pays Rs. 1,000 as rent for the office premises in cash.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Rent	Nominal	1000	
Credit Side	Cash	Real		1000

Q3- An employee receives a salary of Rs. 2,000 directly credited to their bank account by the company.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Salary	Nominal	2000	
Credit Side	Bank	Personal		2000

Journal Entries for Different Types of Purchases

Q4: Purchase goods worth Rs 10000/-

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Purchase	Nominal	10000	
Credit Side	Cash	Real		10000

Note:-

No product name: Record as "Purchase"

Q5: Purchase goods worth Rs 10000/- by Ram.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Purchase	Nominal	10000	
Credit Side	Ram	Personal		10000

Note:-

Person's name with no payment method: It's a credit transaction.

Q6: Purchase Furniture worth Rs 10000/-.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Furniture	Real	10000	
Credit Side	Cash	Real		10000

Note:-

Product name mentioned: Record specific product (e.g., "Furniture," "Computer").

Q7: Purchase Goods worth Rs 10000/- by cheque or bank.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Purchase	Nominal	10000	
Credit Side	Bank	Personal		10000

Note:-

Cash or cheque mentioned: It's an immediate payment.

Q8: If goods worth Rs. 300 are returned to a supplier that were previously purchased on credit

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Accounts Payable	Personal	300	
Credit Side	Purchase Return Account	Nominal		300

Q9- Goods purchased for cash 20k discount received at 20%.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Purchase	Nominal	20000	
Credit Side	Cash	Real		16000
Credit Side	Discount Received	Indirect income		4000

Q10- cash paid ti vishal Rs. 14750 and discount received from him Rs 250.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Vishal	Personal	15000	
Credit Side	Cash	Real		14750
Credit Side	Discount Received	Indirect income		250

Journal Entries for Different Types of Sales

Q11: Sale of goods worth Rs 10,000/-

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Cash	Real	10000	
Credit Side	Sales	Nominal		10000

Note:-

No product name: Record as "Sales"

Q12: Sale of goods worth Rs 10,000/- to Ram

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Ram	Personal	10000	
Credit Side	Sales	Nominal		10000

Note:-

Person's name with no payment method: It's a credit transaction.

Q13: Sale of furniture worth Rs 10,000/-

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Cash	Real	10000	
Credit Side	Furniture	Real		10000

Note:-

Product name mentioned: Record specific product (e.g., "Furniture," "Computer").

Q14: Sale of goods worth Rs 10,000/- by cheque or bank.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Bank	Personal	10000	
Credit Side	Sales	Nominal		10000

Note:-

Cash or cheque mentioned: It's an immediate payment.

Q15: A customer returns goods worth Rs. 300 that were previously sold on credit.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Sales Return Account	Nominal	300	
Credit Side	Accounts Receivable	Personal		300

Q16- Goods sold rupees 50 k for cash discount allowed 10%.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Cash	Real	45000	
Debit side	Discount allowed	Indirect exp.	5000	
Credit Side	Sales	Nominal		50000

Q17- Cash received from ram Rs. 19500 and discount allowed to him Rs. 500.

	Account	Type Of Account	Dr.Amt	Cr.Amt
Debit side	Cash	Real	19500	
Debit side	Discount allowed	Indirect exp.	500	
Credit Side	Ram	Personal		20000

Format of a Journal Entry

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
DD-MM-YY	Account to be Debited		Amount	
	To Account Credited			Amount
	(Narration: Brief note)			

EXPLANATION

1. **Date:** When the transaction occurred.
2. **Particulars:**
   - Write the debited account first (left-aligned).
   - Write the credited account below it, indented, starting with "To."
3. **L.F.:** Ledger page reference (optional).
4. **Debit (₹):** Amount debited.
5. **Credit (₹):** Amount credited.
6. **Narration:** Brief explanation of the transaction in parentheses.