

CH-6 Rules of Debit & Credit

(V.V.V.V.V.V.V.V.V.V.
V.V.V.V.V.V.V.V. Imp
& Easy)

① **ACCOUNT** - Account is a record of transactions under a **particular head**. It records not only the **amount** of transactions but also their **effect & direction**.

eg **Cash A/c** **Stock A/c** **Furniture A/c** **Machinery A/c**
Debtor A/c **Creditor A/c** etc

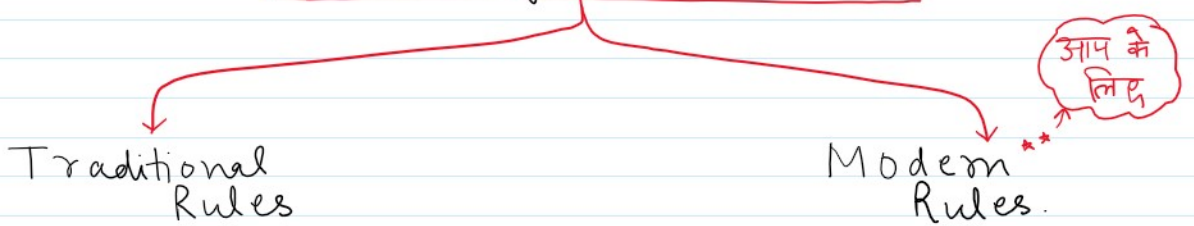
② An Account has **two parts** and it is generally of **T** shape

Dr				ACCOUNT				Cr			
Date	Particulars	J/F	Amount(₹)	Date	Particulars	J/F	Amount(₹)				

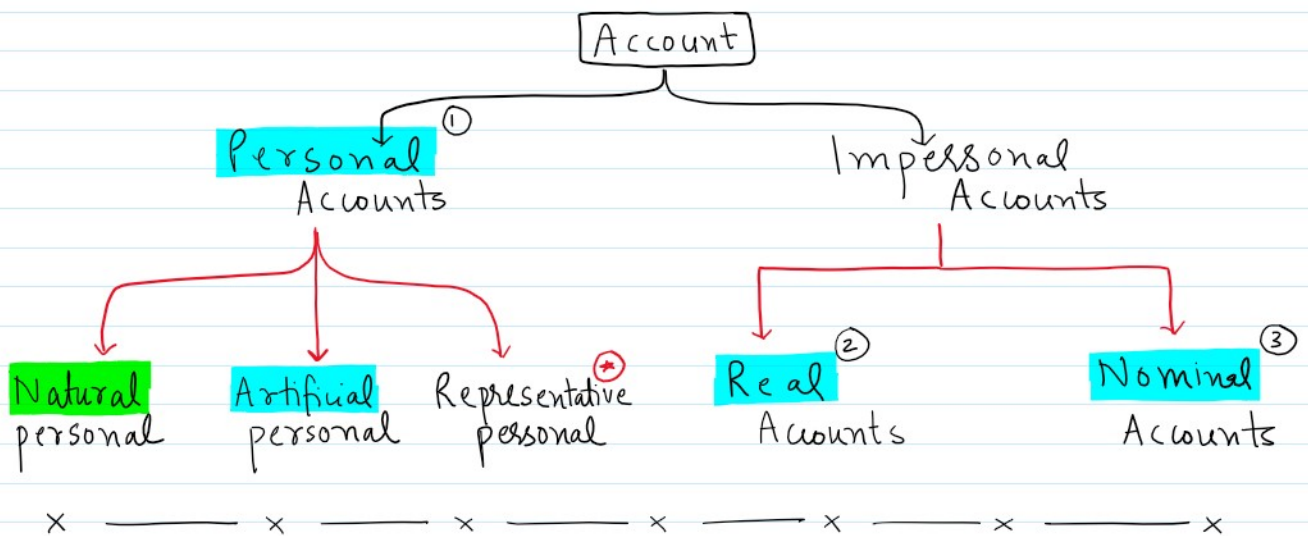
J/F = Journal Folio

③ **Left** side of an account is known as **DEBIT**
Right side of an account is known as **CREDIT**

*** RULES of Debit & Credit ***



I. TRADITIONAL RULES



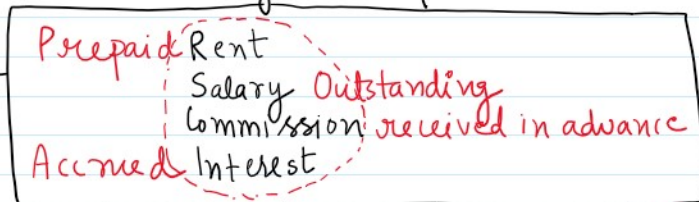
① Personal Accounts - Accounts which relates to persons or bodies

a) Natural personal - who are creation of God eg Ram, Sonu, Monu, Sita, Gita, Sunil, Debtor, Creditor, etc etc

b) Artificial personal - corporate bodies or institutions or clubs etc eg :- Tata company, Being Human, ICICI Bank etc

$\frac{2}{10}$ ** c) Representative personal - These accounts which represents a certain person or group of persons. Eg - Capital A/c or Drawing A/c

Prefix Nominal Suffix



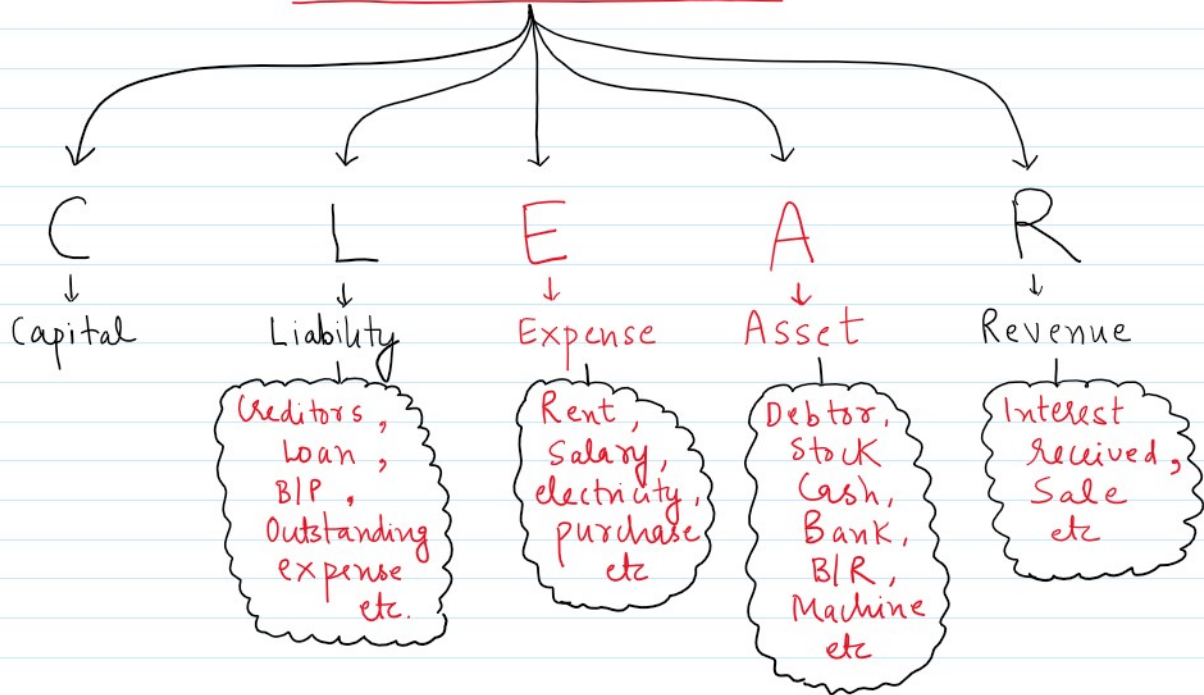
2) Real Accounts - All assets except DEBTOR and BANK.
 DEBTOR is linked to Representative personal and Natural personal.
 BANK is linked to Artificial personal.

③ Nominal Accounts - All the expenses (or losses) and revenues (or incomes)
 Eg :- Rent, Salary, Purchase, Interest, ...

revenues (or incomes)
 Eg :- Rent, Salary, Purchase, Sales, Interest received etc etc

<u>Rules</u>	DEBIT	CREDIT
① Personal	The Receiver	The Giver
② Real	What comes In	What goes out
③ Nominal	All expenses (or losses)	All incomes (or gains)

II. "MODERN RULES"



RULES

<u>*****</u>	Increase	Decrease
1. Capital	Credit	Debit
2. Liability	Credit	Debit
3. Expense	Debit	Credit
4. Asset	Debit	Credit
5. Revenue	Credit	Debit

4. Asset	Debit	Credit
5. Revenue	Credit	Debit

* CASTING and BALANCING *

Dr				ACCOUNT				Cr			
Date	Particulars	J/F	Amount (₹)	Date	Particulars	J/F	Amount (₹)				
—	To xxxxx		5,000	—	By xxxxx		3,000				
—	To xxxxx		6,000	—	By xxxxx		6,000				
—	To xxxxx		10,000	—	By xxxxx		4,000				
—	To xxxxx		7,000		By Balance c/d		15,000				
			28		DEBIT Balance						
			28,000				28,000				

CASTING = TOTALLING
(✓)

Dr. vs Cr.
28000 ≡ 13000

Dr = 28000
Cr = 13000
* - *

जो बड़ा है

जिदा बचे दौगों = 15000

Dr is winner

eg :- Dr.

Dr			ACCOUNT			Cr		
Date	Particulars	₹	Date	Particulars	₹			
—	To xxxxx	6,500	—	By xxxxx	12,000			
—	To xxxxx	7,000	—	By xxxxx	6,000			
—	To xxxxx	1,500	—	By xxxxx	22,000			
	To Balance c/d	25,000						
		40,000			40,000			

CREDIT Balance

x — x — x — x — x — x — x — x — x

1. Following accounts are being maintained in the books of Shri Ashok. Classify them into **Personal**, **Real** and **Nominal** Accounts:

- | | | |
|--|---|--|
| (i) Land and Building - (R) | (viii) Salary - (N) | (xv) Interest Received - (N) |
| (ii) Excise Duty - (N) | (ix) Debtors - (P) | (xvi) Bank Overdraft - (P) |
| (iii) Creditors - (P) | (x) Bad Debts - (N) | (xvii) Purchase Returns - (N) |
| (iv) Capital - (P) | (xi) Depreciation - (N) | (xviii) Drawings - (P) |
| (v) Motor Vehicles - (R) | (xii) Wages - (N) | (xix) Freight ^{cost of transfer} - (N) |
| (vi) Goodwill - (R) | (xiii) Repairs - (N) | (xx) Return Inwards. (Sale Return) - (N) |
| (vii) Investments - (R) | (xiv) Ramesh, a debtor - (P) | |

[Personal Account—(iii); (iv); (ix); (xiv); (xvi); (xviii), Real Account—(i); (v); (vi); (vii), Nominal Account—(ii); (viii); (x); (xi); (xii); (xiii); (xv); (xvii); (xix); (xx).]

2. Classify the following into **Assets**, **Liabilities**, **Capital**, **Expenses** and **Revenue**:
~~(i)~~ Land; ~~(ii)~~ Investments; ~~(iii)~~ Building; ~~(iv)~~ Interest Received; ~~(v)~~ Salary; ~~(vi)~~ Bank Overdraft;
~~(vii)~~ Debtors; ~~(viii)~~ Creditors; ~~(ix)~~ Bad Debts; ~~(x)~~ Capital; ~~(xi)~~ Depreciation; ~~(xii)~~ Motor Vehicles;
~~(xiii)~~ Freight; ~~(xiv)~~ Wages; ~~(xv)~~ Goodwill; ~~(xvi)~~ Repairs.

Sol:-

(i) A	(vii) L	(xi) E	(xiv) E
(ii) A	(ix) E	(xii) A	(xv) A
(iii) A	(x) C	(xiii) E	(xvi) E
(iv) R			
(v) E			
(vi) R			

Bank 10,000 → Bank overdraft 2000
 withdrew 12,000

(vii) A



3M
 4. On which side will the increase in the following accounts be recorded? Also, state the nature of the account:

- | | |
|---|--|
| (i) Furniture A/c - (A) | (ii) Mohan (Proprietor) - Capital |
| (iii) Salary A/c - (E) | (iv) Purchases A/c - (E) |
| (v) Sales A/c - (R) | (vi) Interest Paid A/c - (E) |
| (vii) Sohan (Creditor) - (L) | (viii) Ram (Debtor) - (A) |

Sol (i) Debit side - (iii), (iv), (vi), (vii)
 (ii) Credit side - (v), (viii)

Sol (i) Debit side - (iii), (iv), (vi), (vii)
 (ii) Credit side - (v), (vii)

Dr. Cr.

	C ↓	- Debit
	L ↓	- Debit
	E ↓	- Credit
	A ↓	- Credit
	R ↓	- Debit

5/ On which side will the **decrease** in the following accounts be recorded? Also, state the nature of the account:

(i) Cash — (A)	(ii) Bank Overdraft — (L)
(iii) Outstanding Salary paid — (E)	(iv) Outstanding Rent — (L)
(v) Prepaid Insurance — (A)	(vi) Mohan, Proprietor of the business — (C)

(i), (iii), (v) Credit side
 (ii), (iv), (vi) Debit side

7. From the following transactions, state the nature of account and state which account will be debited and which account credited:

				₹
(i)	Manu started business with cash	→ Capital (+) Cash (+)	—	1,00,000
(ii)	He purchased furniture for business	→ Furniture (+) Cash (-)	—	20,000
(iii)	Purchased goods on credit from Anshul	→ Stock (+) Creditor (+)	—	6,000
(iv)	Paid to his creditor, Anshul	→ Cash (-) Creditor (-) increased	—	2,000
(v)	Paid salary to his clerk	→ Cash (-) Capital (-) Salary expense	—	1,000

- (iv) Paid to his creditor, Anshul → Cash (-) Creditor (-) increased 2,000
- (v) Paid salary to his clerk → Cash (-) ~~Capital (-)~~ Salary expense ↑ - 1,000
- (vi) Paid rent → Cash (-) Rent (expense) 500
- (vii) Received interest → Cash (+) ~~Capital (+)~~ Revenue (Interest) 200

CLEAR (+) / (-)

Sol:-	S. No	Accounts Involved	Nature of Account	How affected	Debit (₹)	Credit (₹)
	(i)	CASH CAPITAL	ASSET CAPITAL	INCREASED INCREASED	1,00,000	1,00,000
	(ii)	Furniture Cash	Asset Asset	Increased Decreased	20,000	20,000
	(iii)	PURCHASE* Creditor	Expense liability	Increased Increased	6,000	6,000
	(iv)	Creditor Cash	liability Asset	Decreased Decreased	2,000	2,000
	(v)	Salary* Cash	Expense Asset	Increased Decreased	1,000	1,000
	(vi)	Rent* Cash	Expense Asset	Increased Decreased	500	500
	(vii)	Interest* Cash	Revenue Asset	Increased Increased	200	200

8. Open a 'T' shape account for machinery and put the following transactions on the proper side:

	₹
(i) Machinery purchased ————— increase	40,000
(ii) Machinery sold ————— decrease	10,000
(iii) Machinery purchased ————— increase	8,000
(iv) Machinery discarded → फेंक देना ————— decrease	14,000
(v) Depreciation on machinery (गिरावट) ——— ASSET decrease	1,000

Sol:- Dr. Increase Machine A/c Decrease Cr.

Date	Particulars	J/F	Amount(₹)	Date	Particulars	J/F	Amount(₹)
(i)	Machinery purchased		40,000	(ii)	Machinery sold		10,000
(iii)	Machinery purchased		8,000	(iv)	Machinery discarded		14,000
				(v)	Depreciation		1,000
					By Balance fd		23,000
			48,000				48,000

		48,000		48,000
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9. Open a 'T' shape Cash Account with the following transactions:
- | | | |
|--------------------------------------|----------|--------|
| (i) Mohan started business with cash | Business | ₹ |
| (ii) Purchased goods | Cash | 20,000 |
| (iii) Sold goods | Cash (+) | 24,000 |
| (iv) Paid rent | Cash (-) | 400 |
| (v) Paid salaries | Cash (-) | 600 |
| (vi) Drew for personal use | Cash (-) | 1,000 |

Sol: - Dr. **Increase** Cash A/c **Decrease** Cr.

Date	Particulars	J/F	Amount (₹)	Date	Particulars	J/F	Amount
(i)	Business started		40,000	(ii)	Purchased goods		20,000
(iii)	Sold goods		24,000	(iv)	Paid Rent		400
				(v)	Paid Salaries		600
				(vi)	Withdraw		1,000
					By Balance dd		42,000
			64,000		Debit Balance		64,000

10. Open a 'T' shape account of creditor, 'Rakesh', and write the following transactions on the proper side:

- | | | | |
|---|-----------|--------------|--------|
| (i) Goods purchased from Rakesh on credit | Stock (+) | Creditor (+) | ₹ |
| (ii) Goods returned to Rakesh for Purchase Return | Stock (-) | Creditor (-) | 5,000 |
| (iii) Paid to Rakesh | Cash (-) | Creditor (-) | 20,000 |
| (iv) Purchased goods from Rakesh on credit | | | 10,000 |

Sol: - Dr. **Decrease** Rakesh (Creditor) A/c **Increase** Cr.

Date	Particulars	J/F	₹	Date	Particulars	J/F	₹
(ii)	Purchase Return		5,000	(i)	Goods purchased		50,000
(iii)	Paid to Rakesh		20,000	(iv)	Goods purchase		10,000
	To Balance c/d		35,000				

Dr. Increase		Debtor A/c Asset		Decrease Cr.	
		₹			₹
(i)	Sold goods	50,000	(iv)	Cash received	19,000
			(v)	Sale Return	2,000
				By Balance c/d	29,000
		50,000			50,000

Dr. Decrease		Creditor A/c Liab		Increase Cr.	
		₹			₹
(vii)	Cash paid	15,000	(iii)	Purchased good	25,000
	To Balance c/d	10,000			
		25,000			25,000

13. From the following particulars, prepare the proprietor's Capital Account: ₹
- 1st April, 2020—Commenced business with cash — Cash(+) Capital(+) — 2,00,000
- 31st March, 2021—Net Loss as per Profit and Loss Account — Capital(-) — 18,000
- 31st March, 2021—Drawings during the period — Cash(-) Capital(-) — 15,000
- Balance the same and explain what the closing balance indicates. [Balance—₹ 1,67,000.]

Dr. Decrease		Capital A/c		Increase Cr.	
		₹			₹
31 March	Net Loss	18,000	1 April	Commenced Business	200,000
31 March	Drawings	15,000			
31 March	To Balance c/d	167,000			
		2,00,000			2,00,000

14. From the following particulars, prepare the proprietor's Capital Account:

2013				₹
April 1	Started business with	Cash (+)	Capital (+)	45,000
May 10	Withdrew from business for personal use	Cash (-)	Capital (-)	10,000
July 15	Further Capital introduced	Cash (+)	Capital (+)	55,000
Nov. 30	Income tax paid	Cash (-)	Capital (-)	5,000
2014				
Mar. 31	Profit for the year		Capital (+)	30,000

Dr		Capital A/c		Cr	
		Decrease		Increase	
10 May	Drawings	10,000	1 April	Started Business	45,000
30 Nov	Income Tax paid	5,000	15 July	Further Capital	55,000
			31 March	Profit	30,000
31 March	To Balance c/d	115,000			
		1,30,000			1,30,000