LEARNING AS ONE NATION

Expanded Project

FABM1_20

SHS LEARNING ACTIVITY

Name: _____ **Score/Mark:** _____

Grade and Section: _____ **Date:** _____

Strand: ☐ STEM ☐ ABM ☐ HUMSS ☐ ICT (*TVL Track*)

Subject: *Fundamentals of ABM 1*

Type of Activity ☐ Concept Notes ☐ Skills: Exercise / Drill ☐ Illustration ☐ Laboratory Report ☐ Essay/Task Report ☐ Others: _____

Activity Title: **LA-20. Rules of Debit and Credit**

Learning Target: To discuss the rules of debit and credit

References: *(Author, Title, Pages)*
1) Hinayon, et al., Fundamentals of Accounting, p. 81
2) Q. J. Abcede, CVIF Learning Activities

Recall that one of the fundamental accounting principles is the **dual-effect of business transactions**. To apply the principle, the following rules should be observed:

1. To maintain a balanced accounting equation, every debit (Dr.) entry must have a corresponding credit (Cr.) entry.
2. In every transaction, at least two accounts are affected – one debited, one credited.
3. For every transaction, total debits must equal total credits.
4. To debit means to enter an amount on the left side of an account. To credit means to enter an amount on the right side of an account.
5. The type of account determines how increases or decreases in it are recorded. An increase is recorded on the side of an account depending on its position in the accounting equation (Assets = Liabilities + Equity).
   a. Assets can be found on the left side of the accounting equation. Thus, every increase in asset is debited (left side) to the account, while every decrease is credited (right side).
   b. Liabilities and equity can be found on the right side. Thus, every increase in liability or equity is credited (right side) to the account, while every decrease is debited (left side).
   c. Income increases equity. Thus, income is recorded in the same way as equity (credit if increase, debit if decrease).
   d. Expense decreases equity. Thus, expense is recorded in the opposite way as equity (debit if increase, credit if decrease).

Exercise: Read and analyze the following statements. Write TRUE if it is correct; otherwise, write FALSE.

_____ 1. When Cash increases, the Cash account is debited.
_____ 2. When the owner withdraws money from the business for personal use, the Capital account is debited.
_____ 3. The Liabilities account is credited when a loan is paid.
_____ 4. When an office equipment is acquired on credit, the Equipment account is debited.