Golden Rules of Accounting – Using Debit & Credit Rules

Golden Rules of Accounting

The whole accounting process is based on three golden rules of accounting, where the rules are based on double entry system. Through this golden rules, you can determine which account to be debited and which account to be credited.

How to apply accounting rules for any transactions

1. First read transaction and understand carefully
2. Check what type of accounts are provided
3. Which accounting rule to be applied
4. What are the affects of transactions
5. Apply golden rule
6. Post the transaction that applicable to debit and credit.

Account Types – Rules of Accounting

Firstly, we will discuss the important rules of account types. Generally, there are three types of accounts, i.e.

1. Personal Accounts
2. Real Accounts
3. Nominal Accounts.

Below are important rules of debit and credit, where every learner should remember while doing posting.

Personal Accounts

- Debit (Dr.) the Receiver
- Credit (Cr.) the Giver

Debit (Dr.) the receiver & Credit (Cr.) the giver are the rules used for personal accounts. When a person gives anything to other person/ firm / organization or to any person, the receiver account will be debited and the giver account will be credited.

For example: On 5th June, 2019 Tutorial kart purchased furniture for $8,000 from TMC dealers.

Date	Particulars	Amount	Amount	Rule Applied
05-Jun-19	Tutorial Kart A/c	8,000		Debit (Dr.) the Receiver
05-Jun-19	To TMC Dealers A/c		8,000	Credit (Cr.) the giver

In above example transaction, tutorial kart receiving the benefits (debit the receiver), so tutorial kart a/c to be debited. And TMC dealer is gives the beneficial, so TMC dealer account to be credited

Real Accounts

- Debit (Dr.) what comes in
- Credit (Cr.) what goes out

Debit (Dr.) what comes in & Credit (Cr.) what goes out are rules for real accounts and applicable on all the assets. In simple terms, if anything comes in to business/ firm /organization than account will be debited and if anything goes out of business than account will be credited.

For example: **An Asset was purchased for cash $4,999**. The entries are as follows

Date	Particulars	Amount	Amount	Rule Applied
10-Jun-19	Asset A/c	4999		Debit (Dr.) what comes in
10-Jun-19	To Cash A/c		4999	Credit (Cr.) what goes out

An asset purchased for cash $4,999, here an asset is coming to firm and firm paid cash of $4,999 (which is going out of business).

Nominal Accounts

- Debit (Dr.) all expenses & losses
- Credit (Cr.) all incomes & gains

Debit (Dr.) all expenses & losses and credit (Cr.) all incomes and gains are rules used for Nominal accounts (e.g. rent, salary, etc). All expenses, losses should be debited and if any incomes, gains, profits are credited.

For example: On 31st June, 2019, Paid rent amount of $500.

Date	Particulars	Amount	Amount	Rule Applied
10-Jun-19	Rent A/c	500		Debit (Dr.) all expenses
To Cash A/c			500	Credit (Cr.) what goes out

Accounting Tutorial

- Home - Accounting Tutorial
- Accounting - What is Accounting
- Accounting - What is an Account
- Accounting - Accounting Cycle
- Accounting - Accounting Equation
- Accounting - Debit and Credit
- Accounting - Double Entry System
- Accounting - Types of Accounts
- **Accounting - Golden Rules of Accounting**
- Accounting - General Ledger Accounting
- Accounting - Chart of Accounts
- Accounting - Journal Entries
- Accounting - How to post ledger
- Accounting - Contra Accounts
- Accounting - Subsidiary Books
- Accounting - Trial Balances
- Accounting - Prepare Trial Balances
- Accounting - Adjusting Entries
- Accounting - Final Accounts
- Accounting - Balance Sheet
- Accounting - Income Statement
- Accounting - Profit & Loss Accounts

Accounting Useful Resources

- SAP Tutorials
- Tally Tutorials