

The Bookkeeper's Secrets
Book 4
Double Entry Bookkeeping

*Book 4f - From Positive and Negative Values to
Debits and Credits (optional)*

Everyone has Secrets

Accounting is NOT Debits and Credits

They are an optional tool for Small Business people that most are better without...

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Forward

Many people were scared away from accounting on day one. The “accounting revolves around debits and credits” talk surrounded by “cash accounts” with really were “checking accounts” and topped off with Income Statements which were only partly about income.

The sloppiness with the vocabulary was atrocious.

Now that you have a good grounding in what bookkeeping and accounting looks like with positive and negative values we're going to give you a very short introduction to debits and credits to explain some of the benefits, which are negligible if you have software that allows for positive and negative values.

Ch 1: Debits and Credits Introduction

Double Entry Bookkeeping and Accounting can be done with positive and negative values.

- The idea of “debits” and “credits”, a seemingly complex system for working with just positive numbers (no negative numbers) is not required.
- The entire bookkeeping process can be done from the user’s end with positive and negative values as shown in the prior books.

Given that is the case, why would anyone have created a system called “debits” and “credits” to remove negative values from the data storage of accounting?

The primary reason may be the ease of visual quality control for correctness.

- If someone forgets a minus sign in positive and negative accounting, it would be impossible to pick that up on a very quick visual scan of the data.

Another reason would be the ability to quickly and more easily calculate the increases and decreases for an account separately given the increases are in one column and the decrease are in another. This would make long addition easier to calculate the two column values separate.

- This will make more sense when you see the examples below.

The terms debits and credits could just as easily be “apples” and “oranges” or “quarks” and “quicks” or “gobs” and “noobs”.

The mistake you will make is simple. You have been trained to think of the word CREDIT as being positive.

I got “credit” for doing my homework.

I got “credit” for the good work

Try not to associate any meaning with the words. To associate the idea of “credit card” or a “debit card” with the general idea of debits and credits is confusing as is the idea of trying to associate “credit” with either a positive number or a positive event.

- A deposit to your checking account which is a mentally positive event is a “debit” not a “credit”
- Spending money on a credit card is not really a great event because your debt goes up, and that is a “credit” not a “debit” (where you might want to think of a debt)

This is all not only inverted, it’s simply confusing.

- When you use a credit card, and you are doing double entry accounting, there is both a “debit” and “credit” value associated with the transaction, but there is no “word logic” that can be used to figure out the debits or credits. It’s memory or a chart.

- When you use a debit card, and you are doing double entry accounting, there is both a “debit” and “credit” value associated with the transaction, but there is no “word logic” that can be used to figure out the debits or credits. It’s memory or a chart.
- Furthermore, whatever the debits and credits are for you, the opposite is true for your bank, believe it or not.

With this understanding you can see why the terms “debit” and “credit” were very bad choices for this system of accounting.

Rules

1. There are only positive values recorded in Debits and Credits Accounting.
2. The columns they are recorded in (debit or credit column) carry an increasing or decreasing connotation depending on the Account t=Type and you can only make that association from memory or with a chart.
3. In the General Ledger, the two records for a given transaction will always have a debit and a credit to offset each other. Putting that differently, debits and credits for any given single transaction are always equal to each other.

Let’s just show some examples of how debits and credits work and see if we can see any benefits.

Ch 2: The Debits and Credits Matrix

In order to use debits and credits we have to memorize this table or have it available for use. There is no way to "logically" build this table. If you remember a portion of it, you can figure out the other portion of it, but you will need to remember something to remember a portion of it to start with.

Account Type	Debit	Credit
Asset (Checking, for Example)	+	-
Liability (Credit Card, for example)	-	+
Equity (Paid in Equity for example)	-	+
Income (Revenues from sales for example)	-	+
Expense Office supplies for example (& COGs -- items purchase for resale for example)	+	-

I remember debits and credits for Asset and Liability accounts this way (starting w/ Liabilities first)...

A credit card is a "Liability" because I owe money after using it

A transaction which causes the balance to increase on a credit card is a "credit"

{a typical credit card transaction begets me a credit in the debit and credits world}

(A "credit" is POSITIVE on a "credit card balance". This is the only thing I remember!!!)

A transaction which causes the balance to decrease (like a return or payment is a "debit"

A checking account is an "Asset". An Asset is the opposite of a Liability So the debits and credits are reversed from a balance affect perspective

A transaction which causes the balance to increase on a checking account is a "debit"

A transaction which causes the balance to decrease is a "credit"

From that model above, I can feel my way into the rest of the chart if I don't have a chart. When I forget the model above, I revert back to the only sentence I can ever remember and build out from there...

(A "credit" is POSITIVE on a "credit card". This is the only thing I remember!!!)

NOTE: Banks use the opposite terminology as you!!! YIKES. OMG!?!?

It's NOT confusing. Just embrace it. Then watch them intentionally futz with things to add to your confusion for no reason at all...

A debit for you is a credit for them and visa versa.

- Banks will write ""Counter Credit"" on your checking statement for a deposit, which is a ""debit"" on your books.
- Likewise, banks will often times present your downloaded transaction lists with ""debits"" and ""credits"" assigned from their perspective, not yours
- And in some of those cases the signs they give on the transactions add to the confusion.
- The way banks prepare statements for consumers often creates unnecessary confusion that can only be intentional given it follows no logical line of accounting.

Ch 4: The Magic of Debits and Credits is visible in the General Ledger

Debits and credits are confusing. They just are. This example probably best encapsulates the benefits of debits and credits. This can not be seen one transaction at a time. You need to see it this way to realize the benefits.

Let's pretend we went to Bob's Bookstore two days in a row.

1. On day one I used my debit card or I wrote a check for \$15. My checking account DECREASED by \$15 and my office expenses increased by \$15
2. On day two I used my credit card for \$20.. My credit card account INCREASED by \$20 and my offices expenses increased by \$20

A General Ledger with Positive and Negative Values is impossible to read and tally math on quickly.

General Ledger with positive and negative values reads...

Date	Payor/Payee/Description	Account	Amount	Account Type
1/16/2016	Bob's Book Store	Checking 6677	-15	Asset
1/16/2016	Bob's Book Store	18_ Office Expenses	15	Expense
1/17/2016	Bob's Book Store	CreditCard 8899	20	Liability
1/17/2016	Bob's Book Store	18_ Office Expenses	20	Expense

We can get to \$35 on office Expenses quickly, but if we did the math on the other, we might come up with \$5 (20-15) instead of \$35, which was the actual amount spent.

The General Ledger with Debits and Credits is very easy to read...

General Ledger with Debits and Credits reads...

Date	Payor/Payee/Description	Account	Debit	Credit	Account Type
1/16/2016	Bob's Book Store	Checking 6677		15	Asset
1/16/2016	Bob's Book Store	18_ Office Expenses	15		Expense
1/17/2016	Bob's Book Store	CreditCard 8899		20	Liability
1/17/2016	Bob's Book Store	18_ Office Expenses	20		Expense

By intuiting a little bit, it is clear \$35 was spent at Bob's Store via Checking and/or credit card and \$35 of office expenses were procured with the money. That is incredibly easy to read.

The confusing part of Debits and Credits on a per transaction basis pays off when you see it in a General Ledger.

Unfortunately, most folks using single entry journals in software never see the raw data in the General Ledger to see the benefits. In addition, they've never seen a General Ledger with Positive and Negative values to realize the draw backs of positive and negative values in the General Ledger.

It's a weird system. The benefits can only be realized when looking at the General Ledger.

Ch 4: Journal to General Ledger Examples

Example 1 - Checking (Asset) and Expense

Verbally for the Journal Entry

"My bank charged me \$10 for a monthly fee. My checking account balance needs to decrease, so that is recorded as a negative value. That is an expense and it is categorized as commissions and fees"

Checking Journal reads...

Date	Payor/Payee/Description	Account	Amount	Running Balance
1/4/2016	Monthly Fee (Bank)	10_ Commissions and fees	-10	Decrease by 10

Checking Journal with Debits and Credits instead reads...

Date	Payor/Payee/Description	Account	Debit	Credit
1/4/2016	Monthly Fee (Bank)	10_ Commissions and fees		10

An Asset Account (Checking Account) that decreases - The value is a Credit

Verbally for the General Ledger

"My checking account balance went down, so that value is negative"

"The total amount I've spent on commission and fees expenses went up, so that value is positive"

General Ledger reads...

Date	Payor/Payee/Description	Account	Amount	Account Type
1/4/2016	Monthly Fee (Bank)	Checking 6677	-10	Asset
1/4/2016	Monthly Fee (Bank)	10_ Commissions and fees	10	Expense

General Ledger with Debits and Credits reads...

Date	Payor/Payee/Description	Account	Debit	Credit	Account Type
1/4/2016	Monthly Fee (Bank)	Checking 6677		10	Asset
1/4/2016	Monthly Fee (Bank)	10_ Commissions and fees	10		Expense

I knew what to enter for the Commissions and fees one of two ways.

1. First, it has to be the opposite of the first half of the transaction pair.
2. Second, when an expense account goes up, that is a Debit

Example 2 - Checking (Asset) and Income

Verbally for the Journal Entry

" I deposited \$2800 in cash and checks from my business. My checking account balance needs increase, so that is recorded as a positive value. That is income and it is categorized as gross receipts or sales."

Checking Journal reads...

Date	Payor/Payee/Description	Account	Amount	Running Balance
1/15/2016	Deposit JDA Sales	01_ Gross Receipts or Sales	2800	Increase by 2800

Checking Journal with Debits and Credits reads...

Date	Payor/Payee/Description	Account	Debit	Credit	Running Balance
1/15/2016	Deposit JDA Sales	01_ Gross Receipts or Sales	2800		Increase by 2800

An Asset Account (Checking Account) that increases - The value is a Debit

Verbally for the General Ledger

"My checking account balance went up, so that value is positive"

"The total amount I've earned in income for the year went up, so that value is positive"

General Ledger reads...

Date	Payor/Payee/Description	Account	Amount	Account Type
1/15/2016	JD Acupuncture	Checking 6677	2800	Asset
1/15/2016	JD Acupuncture	01_ Gross Receipts or Sales	2800	Income

General Ledger reads with Debits and Credits

Date	Payor/Payee/Description	Account	Debit	Credit	Account Type
1/15/2016	JD Acupuncture	Checking 6677	2800		Asset
1/15/2016	JD Acupuncture	01_ Gross Receipts or Sales		2800	Income

Example 3 - Checking (Asset) and Expense (again)

Verbally for the Journal Entry

"I bought a book from Bob's Book Store with a check or my debit card, I can't recall. My checking account balance needs to go down, so that is recorded as a negative value. That is an expense that is categorized as an office expense."

Checking Journal reads...

Date	Payor/Payee/Description	Account	Amount	Running Balance
1/16/2016	Bob's Book Store	18_ Office Expenses	-15	Decrease by 15

Checking Journal with Debits and Credits reads...

Date	Payor/Payee/Description	Account	Debit	Credit	Running Balance
1/16/2016	Bob's Book Store	18_ Office Expenses		15	Decrease by 15

An Asset Account (Checking Account) that decreases - The value is a Credit

Verbally for the General Ledger

"My checking account balance went down, so that value is negative"

"The total amount I've spent on office expenses went up, so that value is positive"

General Ledger reads...

Date	Payor/Payee/Description	Account	Amount	Account Type
1/16/2016	Bob's Book Store	Checking 6677	-15	Asset
1/16/2016	Bob's Book Store	18_ Office Expenses	15	Expense

General Ledger reads...

Date	Payor/Payee/Description	Account	Debit	Credit	Account Type
1/16/2016	Bob's Book Store	Checking 6677		15	Asset
1/16/2016	Bob's Book Store	18_ Office Expenses	15		Expense

Example 4 - Credit Card (Liability) and Expense

Verbally for the Journal Entry

"I bought a book from Bob's Book Store with a credit card. My credit card account balance needs to go up, so that is recorded as a positive value. That is an expense that is categorized as an office expense."

Credit Card Journal reads...

Date	Payor/Payee/Description	Account	Amount	Running Balance
1/17/2016	Bob's Book Store	18_ Office Expenses	20	Increase by 20

Credit Card Journal with Debits and Credits reads...

Date	Payor/Payee/Description	Account	Debit	Credit	Running Balance
1/17/2016	Bob's Book Store	18_ Office Expenses		20	Increase by 20

A Liability Account (Credit Card Account) that increase - The value is a Credit

Verbally for the General Ledger

"My credit card account balance went up, so that value is positive"

"The total amount I've spent on office expenses went up, so that value is positive"

General Ledger reads...

Date	Payor/Payee/Description	Account	Amount	Account Type
1/17/2016	Bob's Book Store	CreditCard 8899	20	Liability
1/17/2016	Bob's Book Store	18_ Office Expenses	20	Expense

General Ledger with Debits and Credits reads...

Date	Payor/Payee/Description	Account	Debit	Credit	Account Type
1/17/2016	Bob's Book Store	CreditCard 8899		20	Liability
1/17/2016	Bob's Book Store	18_ Office Expenses	20		Expense

APPENDIX 1 - Full Debits and Credits Table and commentary

This debits and credits table is only here for reference for now.

Account Type	Debit	Credit
Asset (Checking, for Example)	+	-
Liability (Credit Card, for example)	-	+
Equity (Paid in Equity for example)	-	+
Income (Revenues from sales for example)	-	+
Expense Office supplies for example (& COGs -- items purchase for resale for example)	+	-

NOTE: **ZAPSpecial** is a custom account type used in the software that mimics an Expense from a Debit Credit perspective but it does NOT show up in Asset-Liability Calculations nor Income- Expense Calcs. This account enables the G/L to stay in balance from a debits and credits perspective without affecting Net Worth (the Balance Sheet) or Net Income (the income statement)

* - You may hear the term “contra” before one of the Account Types above. It’s part of the same account group, it just means the expected balance for the account is going to be negative.

If you notice, most accounts are generally talked about as positive and are expected to be positive. (Checking account balance, credit card balance, expense account balance etc).













In some cases, like “owner draws” , the “expected” value of the account is actually going to be a negative value if it is used.

- Owner Draw is a “contra equity account”.
- When an owner takes money out of a business, the checking account goes down, so that is - and a credit as seen in the table above.
- That makes the other half the the transaction a debit. That makes the “owner draw” account a debit and -. per the table above.

This will make more sense from a plus and minus perspective when viewed in the context of the Bottom Half of the Comparative Net Worth Statement (Balance Sheet). We’ll cover this in Book 2.

We won’t delve into the debits and credits much more than what is on this page from a use perspective.

Below is a Chart that can be used for reference.

Assets		Liabilities	
			
Debit for Increases +	Credit for Decreases -	Debit for Decreases -	Credit for Increases +
Owner Investment		Revenues	
			
Debit for Decreases -	Credit for Increases +	Debit for Decreases -	Credit for Increases +
AccountingForDummies.net			
Expenses		Owner Withdrawal	
			
Debit for Increases +	Credit for Decreases -	Debit for Increases +	Credit for Decreases -

APPENDIX 2 - An Alien and a Nomad share some grits

Accounting is the scorekeeping system for an energetic game called “commerce” which dates back eons.

It originated in a solar system far away from Earth. It was brought here by Aliens that routinely came in a more direct way in a time gone by.

When the Aliens arrived on one visit about 8,000 years or so ago, Nomads were roaming the lands picking berries and living off the land in relatively peaceful tribes and clans. These nomads were one with Mother Earth (yet again). Unknown to them, they were all descendants of the only survivors of a commercial game gone mad a few millenia prior.

The story of alien visitors was unknown to them as was their commercial history and that of their prior ancestors. They had stumbled on some rocks and such with odd etchings and some had even found some green slabs of stuff, but without context it had little meaning. Berries and bunions were more important to them.

Their ancestors had been wiped out in an event that stopped a game gone mad dead in its tracks. They were given a heads up, and most studying mounds today know that now, but no definitive date for the strike was given. The end came so quick, food in beasts bellies froze on impact.

Unsure of whether to share the game of commerce with these rejuvenated Earth loving beings, the Alien kept quiet. These trusting Humans could be used for alternative purposes.

Then, one day, a tribal leader of one of the groups and an Alien on hiatus were chatting over grits while sitting on a log.

The nomad started to complain about the boredom that would sometimes overcome them after they'd done so many shroom and Ayahuasca trips that even those became mundane.

Feeling this was an indirect request for information, the Alien started to tell the nomad about the prior history and this game called “commerce” that led to the destruction of the prior civilization and a few before that.

The alien indicated that the civilization he hailed from had once been simple nomads too several times over, both on this planet and others. He indicated they too were shut down in their unknowing quests for galactic consciousness but that eventually, as a planetary society, they became one with the game and recognized it as a communal ticket to the cosmos.

The nomad became infatuated with the idea that a game could lead to galactic travel, not fully understanding the difference between that and galactic consciousness, nor the road millenias long that laid ahead.

Unsure exactly how the game really started as it was far before his time, the alien did the best he could to lay out the rules for the game in a simple way such that someone who had never played could get the gist.

But before he did that, he gave the nomad a warning...

“Many, many great things have come from the game of commerce. BUT, many horrific atrocities come with it too. Planets have been destroyed and thousands of civilizations have come and gone in the evolutionary process. It changes many beings for the worse. Many lose their connection to their mother planet for long periods of time. Many became bizarrely obsessed. Psychosis, cannibalism, pedophilia. All of these come about when simple nomads start playing with commerce. It makes the danger of fire pale in comparison. Sometimes, when the game goes rabid, the planet energy itself will shed it of the inhabitants. Other times, fellow members of the Galaxy will intervene and shut the game down. The aggregation of energy created via the game creates things that a nomadic mind could never have imagined prior...”

And with that, the rules of the game were laid out...

Much like tennis has sets and matches based on points, the game of commerce is based solely on time and currency in circulation..

Imagine a Game is 7 years long (although there could have been a few dozen in play) A Set is 49 (although others may have had different time spans like 10 years or 20 or 50). A match can vary from hundreds to thousands of years.

With each set, a form of tender is agreed upon and a tiny subset of society is designated as the bankers, typically with at least one pre-planned change over in the middle to prevent runaway trains. And it seems another small group of the population sits out to help with management in case the game goes rabid.

With each year that passes, more tender is brought into circulation. The sets and matches typically start out like monopoly where everyone gets money. Nobody realizes the money brings with it crazy energy. Over generations, crazy people start to figure out how to bring debt based issuing into to play and that only ends when the players all figure out that that is no way to build the community they need for the off planet passes they all so eagerly sought millenias prior when the game first came into thought.

The games start slow with small amounts but they can get extremely large with time.

Each year, the tender in circulation is assessed by the bankers. The new amount of tender always increases to match the prior years per capita total in circulation plus some additional percent.

So for example if there are 100 people at the start and each gets 1 kroner, if at the beginning of year two, the population is 110, there will be 10 new kroners issued such that there is one for every person in the game AND there will be an additional amount issued that may vary from 3% to 10% of the outstanding kroners to give

everyone the opportunity to feel richer while playing the game.

The problems with almost every set and certainly every match revolves around keeping the bankers honest and preventing any person or group from accumulating so much wealth they destroy healthy competition, which is what ultimately increases the collective consciousness from nomads to galactic travellers.

Accounting based reporting systems exist that are quite good. They can be used to keep count of the money in circulation, but as the games and sets progress, the money volumes eventually grow so fast and so much, as do the bad bankers, counterfeiters and money manipulators, it can get hard to track even with the best of reporting.

Invariably, a few multi-generational bands of bankers figure out ways to self-serve that are hard for the remaining players to quantify unless they've been bankers before.

That information has to be passed down from prior generations or retrieved from your incarnation records to be of any use. The sets end after 50 years typically, but with the elusive nature of time sometimes, you can end up with different rolling 50's. This deadline is designed to terminate the overplay that is almost always brought into play.

The goal is to grow consciousness, then slow it during the short set recesses, then grow it again. Then slow it then grow it again.

That is the only way to sustain consciousness growth that transpires with each set. Much like with fields and crops.

Eventually, Technology has to be developed to track it all and to qualify for off-planet application, so that is always part of the long term cyclical gig associated with every match.

The end goal of the game is something most don't fathom when they start unless they are told, and that is Galactic Travel and Cosmic Consciousness.

And while all are told that when the games began, all but a few tied to the most secret of societies ever seems to have a clue a few 1000 years later (or a lot more), as it often takes 1000's upon 1000's of years for a reincarnating soul group to grow from nomads to the time traveling threshold as a singular clan, and by that time, they have a far greater chance of wiping out as a society than passing through the worm holes.

What few realize when they start is that the commercial games are always started by Aliens, they are always monitored by Aliens and it's not until a planetary society gels as a cohesive team with enough consciousness to care for their own planet and each other to a sufficient degree, as they were in the beginning, but with technology, that they are allowed to explore the galaxies and cosmos in full collectively.

We, as Galactic Travelers can not afford to have those who can not care for their own communities and their own planet off planet, as any planetary society that irresponsible could destroy our world, which is all the cosmos, and we simply won't allow that.

We Battle with each other out there. We have wars too. That's part of the Galactic Games, but there are rules out here that no entities break, as the watchers that control the games out here are nothing like those that tolerate the Earth School.

Galactic travelers are all governed by a self induced vaporizing system that is instantaneous on a major foul. There are no second chances. Agreeing to the rules is part of the initiation process each of us takes at our coming of age ceremonies.

Those that don't take it or don't qualify get dropped off on planets for the remainder of their incarnation with all galactic travel privileges revoked. That's where the term Prison Planet comes from.

If you can imagine in a very crude but material way, the vaporizing system is like a karmic boomerang made with the blades of a guillotine that knows not what time is. It both launches and finds its target in a nanosecond of time. Without such a system, the cosmos would never survive. With it, it makes for a damn fine game indeed.

1. Step one is to unify the members of your planet in a more peaceful manner.
2. Step two is to repair your planet to what it was when this game was started, while learning about the laws of empathy, telepathy and self healing. Clairvoyance, Clairaudience and Clairsentience are all required for galactic travel.
3. Step three is to apply for Galactic Membership as a global community first and then as an individual member of that community.

Don't waste our time and yours until you've completed steps 1 and 2. Those annoyances won't be looked upon kindly and your weather will suffer because of it.

Pay attention to the signs. Animals that should chase each other are getting caught on camera playing together by choice. Orcas have allowed the filming of their teams decimating the largest of sharks with ease. The talk between humans and all of the animal kingdom is rising logarithmically. These are the signs of rising tides.

Also, there's a twist to your timing right now...

Watch out for the Solar Flares and the Earth's propensity to flip from time to time. The crust hangs onto an odd and mysterious core with a magnetic clutch. The quickly shifting poles indicate that the clutch is now slipping cyclically as it does. That flip is a sight to behold. All the cosmos gathers to watch as it is unique to this planet.

Those are game enders for planet dwellers and you want to be Galactic before they happen or all the souls involved in your game drop down the worm holes and the games of earthbound Chutes and Ladders start over again with the Woolly mammoths and some cavemen until grits are served by an Alien again.

Your clock is ticking quickly now. You're out of control of your society. You're out of control of your planetary care systems AND the poles are shifting very quickly, meaning you're short timers unless you can get Galactic certified pretty damn quick.

The cosmos await all who seek exploration, but no one makes it without a team spirit.

Good luck!