ILuvAccounting

Journal Entry Basics

A journal entry is how every transaction gets recorded in your books — the same simple format, every time.

Anatomy of a Journal Entry

Every entry has a **date**, one or more **accounts**, a **debit** or **credit** amount for each account, and a short **memo** describing what happened. Debit lines are listed first (left-aligned); credit lines come second (indented, right-aligned). Total debits must equal total credits.

Five Common Entries

1. Owner invests $10,000 cash into the business

Account	Debit	Credit
Cash	$10,000	
Owner's Equity		$10,000

2. Cash sale of $500

Account	Debit	Credit
Cash	$500	
Sales Revenue		$500

3. Pay $200 rent in cash

Account	Debit	Credit
Rent Expense	$200	
Cash		$200

4. Take out a $5,000 loan

Account	Debit	Credit
Cash	$5,000	
Loan Payable		$5,000

5. Record $100 of monthly depreciation

Account	Debit	Credit
Depreciation Expense	$100	
Accumulated Depreciation		$100

Quick Check

After every entry, ask: does Assets = Liabilities + Equity still hold true? If the two sides of the equation don't match, find the error before you move on — don't let it carry forward.