T Accounts

In accounting we open **an account** for each item in our records. The account has the following format: **T-Account**

Dr	Bank	Cr

As you can see, the conventional account has the **format of the letter T; hence they are often referred to as T accounts.**

By **account,** we refer to the summary record of all transactions relating to a particular item in a business.

A **ledger** is a whole bunch of T-accounts grouped together.

The main ledger is called the **general ledger.** Virtually all T-accounts in a business fall under the ***general ledger***.

There are three prime (Permanent) classes of Accounts:

Assets, Liabilities and Equity (Accounting equation: A = L + EQ)

These primary accounts are reflected in the **Balance Sheet (expect to have on going "balances" from month to month)**

The secondary classes (or, "temporary accounts) of accounts are

Expenses & Income

The Expenses & Income and reflected on the Profit & Loss Statement (P&L)
Both expenses & income accounts are reset to zero at end of each month and measured on a month basis.

Understanding Double-entry Bookkeeping

Double-entry bookkeeping is pretty much what its name suggest as it involves the bookkeeper **recording each transaction twice, once in the form of a debit and the other as a credit.** The following is a practical example of double-entry bookkeeping: when a fixed asset is purchased in credit; this requires a credit to be recorded in the supplier's account and a debit to be entered in the fixed assets account. Next, the payment to the supplier then requires a debit in the supplier's account as well as a credit in the bank account.