


Step-by-Step Guide

Understanding Journal Entry Debit and Credit Conventions

Background on the University's Finance System

The University of Colorado utilizes a double-entry accounting system. This means that entries of equal and opposite amounts are made to the Finance System for each transaction. As a matter of accounting convention, these equal and opposite entries are referred to as **debit** (Dr) and **credit** (Cr) entries. For every debit recorded, there must be an equal amount (or sum of amounts) entered as a credit. For example, if debit entries total \$100, then credit entries must total (\$100).



The number of debit entries does not need to be the same as the number of credit entries. Rather, the total dollar amount of the debit entries must equal the total dollar amount of the credit entries. So we might have two debit entries totaling \$100 and three credit entries totaling (\$100). By ensuring that the debit amounts always equal the credit amounts, we ensure that the Finance System remains in balance.

Entering data in the Finance System

When you process transactions within the Finance System, you need to enter debits and credits appropriately. You do this by using the accounting sign that will have the desired impact on the account and on subsequent financial statements and documents. In the Finance System:

- A debit entry requires no special notation (sign) for the amount.
For example: \$50.00.
- A credit entry requires a **minus sign (-)** in front of the amount.
For example: -\$50.00.

The Journal Entry below illustrates the use of correct accounting signs in the Finance System.

Header	Lines	Totals	Errors	Approval						
Journal ID: NEXT Date: 06/08/2005 Ledger Group: ACTUALS										
Change Values										
▼ Lines										
Select	Line	SpeedType	Fund	Org	Program	Project	Sub-class	*Account	Amount	Journal Line Description
<input type="checkbox"/>	1	11026226	10	10519	16633			700100	-100.00	CORR travl fr IN state to OUT
<input type="checkbox"/>	2	11026226	10	10519	16633			700200	100.00	CORR travl fr IN state to OUT

This **Credit Entry** reduces the amount of expense recorded in the account for Employee In-State Travel.

This **Debit Entry** increases the amount of expense recorded in the account for Employee Out-of-State Travel.

Step-by-Step Guide

Understanding Journal Entry Debit and Credit Conventions

Accounting transactions and their natural signs

Following is a list of common accounting transactions. The natural accounting sign for each account is also identified.

Type of Account (transaction)	Transaction Description	Natural Sign (normal balance) for this Account
Asset	Increase the amount of an Asset	Dr
Asset	Decrease the amount of an Asset	Dr
Liability	Increase the amount of a Liability	Cr
Liability	Decrease the amount of a Liability	Cr
Revenue	Increase the amount of Revenue	Cr
Revenue	Decrease the amount of Revenue	Cr
Expense	Increase the amount of Expense	Dr
Expense	Decrease the amount of Expense	Dr
Transfers IN	Increase the amount of a Transfer IN	Cr
Transfers IN	Decrease the amount of a Transfer IN	Cr
Transfers OUT	Increase the amount of a Transfer OUT	Dr
Transfers OUT	Decrease the amount of a Transfer OUT	Dr

For additional information on accounts, contact your campus controller/accounting office.