



# The Grammar of Money: Mastering Journal Entries & The Golden Rule



Welcome to the heart of accounting! It might sound complex, but this guide is all about learning the simple, powerful language that every business in the world uses to tell its financial story. We're going to break down the most essential building block: the journal entry. By the end, you'll understand what 'debits' and 'credits' really mean (it's easier than you think!) and how to record any business transaction like a pro. Think of it as learning the basic grammar of money. Let's get started.



# What Makes This Guide Different?

This isn't your typical accounting textbook. We believe the best way to learn is by seeing how principles apply to real people and real-world situations. Here's what you will learn exclusively in this guide:

## Learn Through Relatable Stories

Forget boring, generic examples. You'll learn by recording transactions from the actual hobbies and projects of creative professionals—like accounting for Patricia's eBook on retro gaming, Zyrine's video editing services, or Jenelie's sales of office plants.

## Gain a Unique 3-Country Perspective

Master the practical differences in accounting for **Japan, the USA, and the Philippines**. This guide provides a side-by-side comparison you won't find elsewhere, showing you exactly how to handle Japanese Consumption Tax, US Sales Tax, and Philippine VAT.

## Master Calculations (Even if You Dislike Math)

We break down every tax and payroll calculation into simple, step-by-step instructions. You'll see exactly how to get to the right numbers without feeling overwhelmed.

## Get Insider Tips to Avoid Common Mistakes

Learn directly from a professional's experience about the most common errors beginners make in international transactions and how you can avoid them from the start.

# How to Hack Your Brain for Accounting: The SEKAEL Method



Why do 90% of students forget what they study within a week? It isn't because they aren't smart. It's because they only use one part of their brain: the passive, logical side. To master a new language—and accounting *is* a language—you need to engage your motor skills, your emotions, and your memory centers simultaneously.

We have designed this course around a scientifically backed three-step cycle called **Read-Practice-Remember**. Here is the science behind why it works and how to use it.

# 1. READ

## **Goal: Build the Framework**

First, read the content in this guide. We break down complex concepts into simple stories.

### ***Action:***

Read the definitions and examples. Don't try to memorize them yet; just understand the "why."



## 2. PRACTICE



### **Goal:**

**Active Retrieval** Knowledge without application fades instantly. At the end of key sections, open the **Interactive Quizzes** link.

### **Action:**

Test yourself immediately. If you get an answer wrong, our system gives you instant feedback, correcting the neural pathway before a bad habit forms.

## 3. REMEMBER

**Goal: Lock it in Forever** This is where most courses stop, and where SEKAEL begins. We use a **Karaoke-based learning system** because neuroscience proves that music is not just for fun—it is a cognitive super-weapon.



# The Evidence: Why You Must *Sing* to Learn

We didn't just guess this works. Research confirms that musical mnemonics are superior to rote memorization:



## Singing Beats Speaking

A randomized experiment found that adult learners who used a "listen-and-sing" method demonstrated significantly better verbatim recall than those who just spoke the words. Singing engages multiple areas of the brain, creating a stronger memory "trace."



## The "Cognitive Workout"

A controlled trial showed that frequent karaoke training actually improved frontal executive skills—the part of the brain responsible for focus and inhibition. When you sing our rules, you are physically training your brain to focus.



## Mood & Arousal

Research indicates that positive mood and appropriate arousal levels, triggered by upbeat music, directly bolster cognitive performance. Our tracks are designed to keep you in this optimal "learning zone."

# Your Workflow



**READ** the concept in this guide.



**ANSWER** the **Interactive Quizzes** to practice what you have learned.



**SING** to lock the rule in your long-term memory.

*Ready to hack your brain? Turn the page to begin.*

## Scientific References:

1. **Ludke, K. M., Ferreira, F., & Overy, K. (2014).** *Singing can facilitate foreign language learning.* *Memory & Cognition*, 42, 41–5, [https://www.researchgate.net/publication/249966411\\_Singing\\_can\\_facilitate\\_foreign\\_language\\_learning](https://www.researchgate.net/publication/249966411_Singing_can_facilitate_foreign_language_learning)
2. **Miyazaki, A., & Mori, H. (2020).** *Frequent Karaoke Training Improves Frontal Executive Cognitive Skills...* *International Journal of Environmental Research and Public Health*, 17(4), 1459, [https://www.researchgate.net/publication/339484120\\_Frequent\\_Karaoke\\_Training\\_Improves\\_Frontal\\_Executive\\_Cognitive\\_Skills\\_Tongue\\_Pressure\\_and\\_Respiratory\\_Function\\_in\\_Elderly\\_People\\_Pilot\\_Study\\_from\\_a\\_Randomized\\_Controlled\\_Trial](https://www.researchgate.net/publication/339484120_Frequent_Karaoke_Training_Improves_Frontal_Executive_Cognitive_Skills_Tongue_Pressure_and_Respiratory_Function_in_Elderly_People_Pilot_Study_from_a_Randomized_Controlled_Trial)
3. **Thompson, W. F., Schellenberg, E. G., & Husain, G. (2001).** *Arousal, mood, and the Mozart effect.* *Psychological Science*, 12(3), 248–251, [https://www.researchgate.net/publication/236679292\\_Arousal\\_Mood\\_and\\_The\\_Mozart\\_Effect](https://www.researchgate.net/publication/236679292_Arousal_Mood_and_The_Mozart_Effect)

# Section 1: What is a Journal Entry?

A **journal entry** is the very first step in the accounting process. It's a formal log of a company's business transactions, always recorded in chronological order (from oldest to newest). Think of it as a detailed, official diary for the company's money. Every time money is spent, earned, or an important financial promise is made, we create a diary entry to capture the event forever.

In simple terms, a journal entry translates a business event into the language of accounting by assigning numbers to specific categories called "**accounts**." An account is just a label for a specific type of asset, liability, revenue, or expense. For example, "Cash," "Office Supplies," and "Sales Revenue" are all accounts.



**Example:** Cris, a coffee lover, decides to buy a fancy new coffee machine for the office pantry for \$500 cash to fuel the team's creativity.

- The company's **Cash** (an asset, something it owns) decreases because they spent it.
- The company's **Office Equipment** (another asset) increases because they now own a coffee machine.

The journal entry is the formal method we use to record this two-sided event in our accounting system, ensuring the books remain perfectly balanced.



This is the most important concept in all of accounting, and we're going to make it simple. Every single transaction has at least two parts: a **debit (Dr.)** and a **credit (Cr.)**.

It's crucial to forget any other meaning you've ever associated with these words. In the world of accounting:

- **Credit (Cr.)** simply means the **right side** of a journal entry.
- **Debit (Dr.)** simply means the **left side** of a journal entry.

That's it. The unbreakable, golden rule of accounting is that **the total of the debits must always equal the total of the credits for any transaction**. This is called **double-entry bookkeeping**, and it's a centuries-old system that ensures the entire accounting system stays in perfect balance.

To know whether to put a number on the left (debit) or right (credit) side, we use this simple guide.

It's based on the type of account and whether it's increasing or decreasing.

Account Type	To Increase ↑	To Decrease ↓	A Simple Way to Remember
Assets (what you own)	Debit	Credit	Assets are on the left side of the accounting equation (Assets = Liabilities + Equity), so they increase on the left (Debit).
Expenses (what you spend)	Debit	Credit	Expenses reduce a company's value, so they behave like Assets.
Liabilities (what you owe)	Credit	Debit	Liabilities are on the right side of the accounting equation, so they increase on the right (Credit).
Revenue (what you earn)	Credit	Debit	Revenue increases a company's value, so it behaves like Liabilities/Equity.

## Section 3: T-Accounts - A Visual Tool

To help visualize how a transaction affects different accounts, accountants often use a simple tool called a **T-Account**. It gets its name because it looks like a capital "T" and separates the debits (left) from the credits (right) for a single account. It's like a mini-statement just for that one account, making it easy to see its activity and calculate its final balance.

Let's look at our example of selling \$100,000 of goods for cash. We can visualize this using two separate T-Accounts, side by side:

### Cash Account (Asset)

Debit (Left Side)	Credit (Right Side)
+\$100,000 (Increase)	

### Sales Revenue Account (Revenue)

Debit (Left Side)	Credit (Right Side)
	+\$100,000 (Increase)



### Let's break down the "why" behind this entry:

- **Why is Cash a Debit?** Cash is an **Asset** (something the company owns). In this transaction, the company's cash balance *increased*. As we learned from the rules in Section 2, to increase an Asset, you place the amount on the left side, which is the **debit** side.
- **Why is Sales Revenue a Credit?** Sales Revenue is a **Revenue** account. By making a sale, the company *increased* its revenue. The rules state that to increase a Revenue account, you place the amount on the right side, which is the **credit** side.

This is the core logic you will use for every transaction.

## Section 4: The Journal Entry Process

Here are the four essential steps to follow for every single transaction. Master this process, and you can account for anything.

1

### Analyze the Transaction



First, understand what business event happened. Ask yourself: What did the company give, and what did it get in return? Did we spend cash on a service? Did we sell a product on credit?

2

### Identify the Accounts



Which specific categories were affected? Does it involve Cash? A type of Expense? Did we create a Liability? (Refer to the categories in Section 5).

## Section 4: The Journal Entry Process

Here are the four essential steps to follow for every single transaction. Master this process, and you can account for anything.

3

### Apply Debit/Credit Rules



Now, for each account you identified, determine if it increased or decreased. Based on the rules in our Section 2 chart, decide which account(s) get the debit and which get(s) the credit.

4

### Record the Amounts



Write down the journal entry in a standard format, always listing debits first. Most importantly, double-check that your total debits equal your total credits. They **MUST** balance.

## Section 5: Common Account Categories

Here are the main types of accounts, explained with more detail and examples tied to our team.

### Assets

These are valuable resources the company *owns* that will provide a future economic benefit.



*Examples:* Cash, Accounts Receivable (money owed to you), Inventory, Buildings, Office Equipment (like Zyrine's video camera), Musical Instruments (like Jenelie's guitar), and even retro Gaming Consoles if they're part of a company collection (for Patricia's research!).

### Liabilities

These are obligations or debts the company owes to others. It's a claim someone else has on your assets.



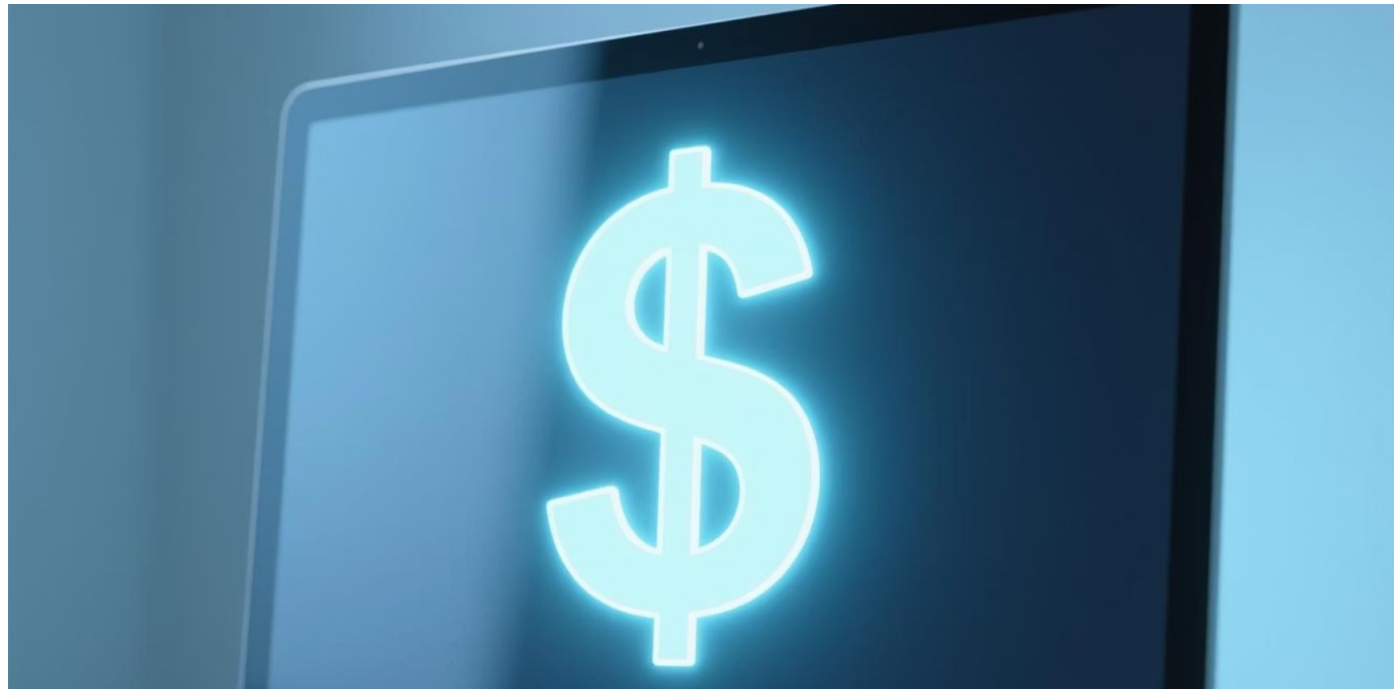
*Examples:* Accounts Payable (money you owe to suppliers), Loans Payable, Credit Card Payable, and Taxes Payable (like the VAT you collected for the government).

## Section 5: Common Account Categories

Here are the main types of accounts, explained with more detail and examples tied to our team.

### Revenue

This is the money the company *earns* from its primary business operations. It's the income you generate from selling goods or providing services.



*Examples:* Sales Revenue (from selling products like plants or eBooks), Service Revenue (from services like Cris's website development or Zyrine's video editing).

### Expenses

These are the costs incurred in the process of earning revenue. It's the money you spend to keep the business running.



*Examples:* Purchases, Salaries, Rent, Utilities, Software Subscriptions, Website Hosting Fees, and even the cost of Chicken Wings for a team meeting with a client (Business Meals Expense!).

## Stop & Practice: Do You Speak the Language?

You have learned the grammar of accounting. Before you start writing journal entries, you must prove you understand the vocabulary.

### Your Mission:

1. Click the link below for the **Terminology Quiz**.
2. **Goal:** Score 18/20
3. **What you will test:**
  - Defining "**Debit**" (Left) vs. "**Credit**" (Right).
  - Identifying if "**VAT Payable**" is an Asset or Liability.
  - Applying the "**Golden Rule**" of double-entry bookkeeping.

*(Once you pass the quiz, scroll down to the Karaoke Break to lock it in!)*

[Interactive Accounting Terminology Quiz](#)

## 🎵 Sing Along Break: "The Golden Rule"

Logic fades, but music sticks. If you try to memorize "Debit increases Assets" by rote, you will struggle. If you sing it, you will never forget it.

### Your Mission:

1. Click the link below.
2. Select **Track 1: "The Golden Rule."**
3. Sing along twice!

**Lyrics Preview:** *"Debit just means left, Credit just means right, The total of the debits must always equal credits, you gotta get it right! To increase your Assets and Expenses, put the debit over here, But for Liabilities and Revenue, there's another thing to say!"*

[Accounting Sing Along](#)

## Section 6: Journal Entry Examples (Japan, USA, Philippines)

Let's look at some real-world examples, breaking down the thought process for each.



## Japanese Example: Selling a Digital Product



**1. Transaction:** Patricia, a ghostwriter, completes an eBook about her hobby, retro gaming. The company sells the digital book to a Japanese publisher for ¥500,000 cash.

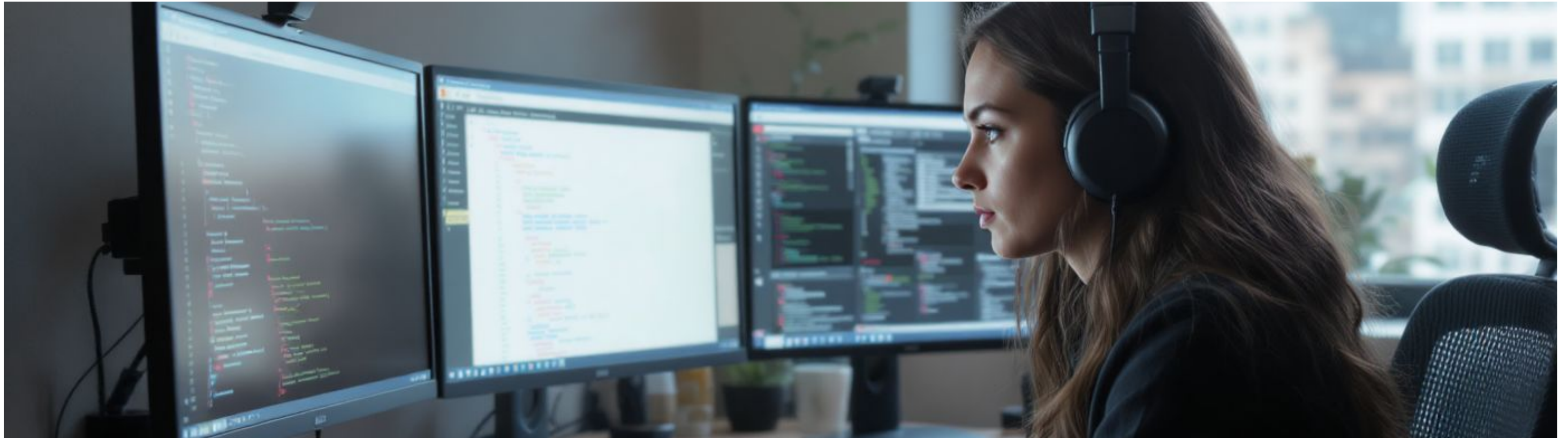
### 2. Analysis:

- What did the company get? Cash. Cash is an Asset. Our Cash *increased*. The rule says to **Debit** Assets to increase them.
- What did the company give? An eBook, which is our product. This is a sale. Sales Revenue is a Revenue account. Our Revenue *increased*. The rule says to **Credit** Revenue to increase it.

### 3. Journal Entry:

○ Debit: Cash ¥500,000 ○ Credit: Sales Revenue ¥500,000

## U.S. Example: Paying for a Digital Service



**1. Transaction:** Cris, an adventurous learner, buys a premium WordPress plugin for \$250 to build a better website for a client.

She pays with the company's bank card.

### 2. Analysis:

- What did the company get? The right to use a software plugin. This is a cost of doing business. We'll call it Software Expense. Expenses *increased*. The rule says to **Debit** Expenses to increase them.
- What did the company give? Money from its bank account (which is Cash). Cash is an Asset. Our Cash *decreased*. The rule says to **Credit** Assets to decrease them.

### 3. Journal Entry:

- Debit: Software Expense \$250 ○ Credit: Cash \$250



## Philippines Example: A Sale with Value-Added Tax (VAT)

1. **Transaction:** Jenelie, who loves gardening, sells healthy office plants to a local business for P100,000. In the Philippines, she must also collect a 12% Value-Added Tax (VAT) for the government. The customer pays in cash.

### 2. Let's Break Down the Math:

- **Sales Amount:** P100,000 (This is the company's revenue).
- **VAT to Collect (12%):**  $P100,000 \times 0.12 = P12,000$  (This is not revenue; it's money collected *for* the government).
- **Total Cash Received:**  $P100,000 + P12,000 = P112,000$ .

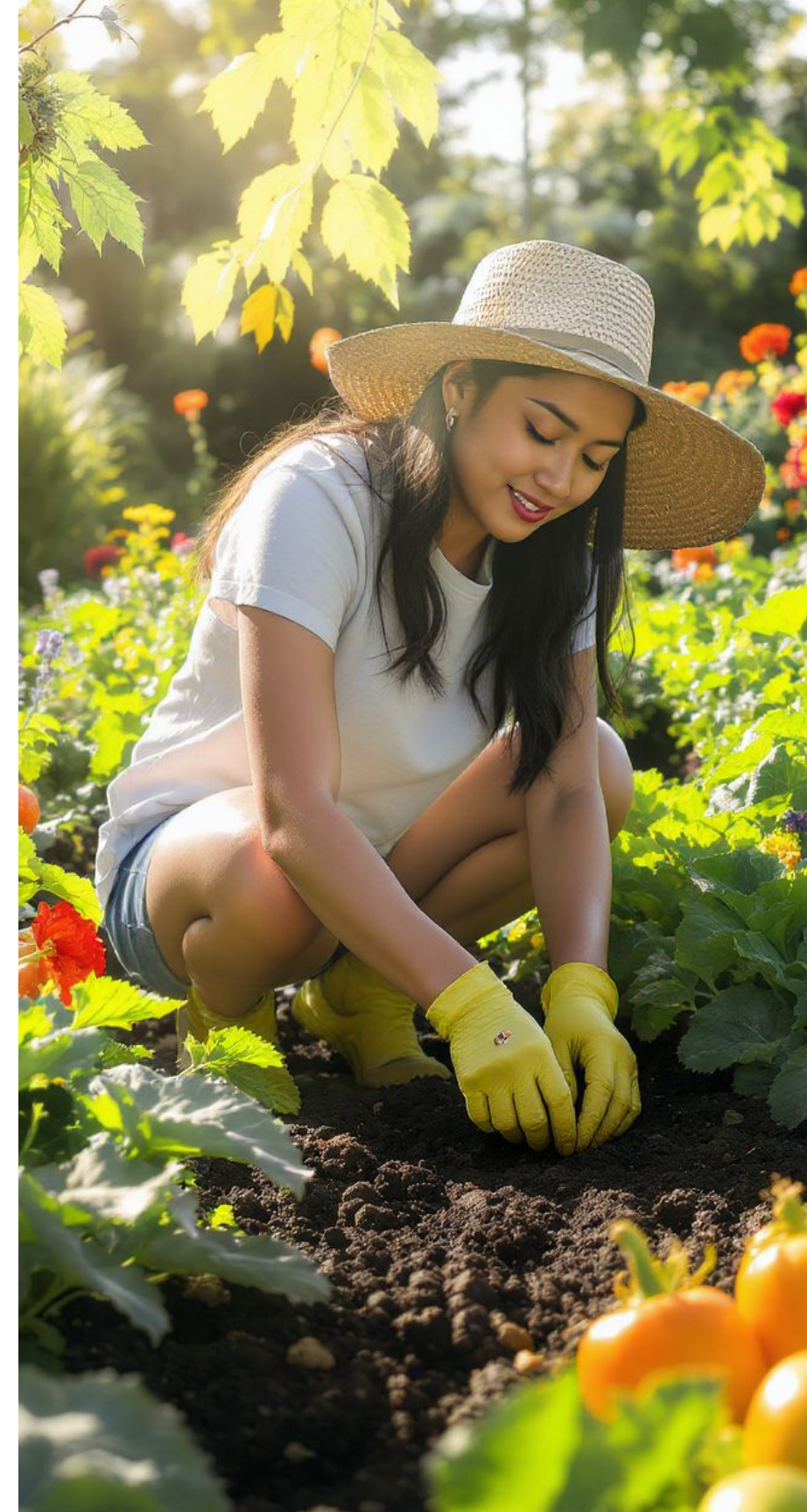
### 3. Analysis:

- Our **Cash** (Asset) increased by the total amount received (P112,000). **Debit** Assets to increase them.
- Our **Sales** (Revenue) increased by the price of the goods (P100,000). **Credit** Revenue to increase it.
- We now have a **VAT Payable** (Liability), which is the P12,000 we owe to the government.

Our Liabilities have *increased*. **Credit** Liabilities to increase them.

### 4. Journal Entry:

○ Debit: Cash P112,000 ○ Credit: Sales P100,000 ○ Credit: VAT Payable P12,000



## Multi-Country Example: Paying an Employee



**1. Transaction:** The company pays Patricia her gross salary of P20,000. However, the company is required to withhold P2,000 in taxes and pay it to the government on her behalf. The rest is paid to her in cash.

### 2. Let's Break Down the Math:

- **Gross Salary (Full Expense):** P20,000 (This is the total cost to the company).
- **Tax Withheld:** P2,000 (This is a liability the company owes the government).
- **Cash Paid to Employee (Net Pay):**  $P20,000 - P2,000 = P18,000$ .

### 3. Analysis:

- The company incurred a **Salaries Expense** for the full gross amount. Expenses *increased* by P20,000. **Debit** Expenses to increase them.
- The company now has a **Withholding Tax Payable** (Liability) for the tax it must remit. Liabilities *increased* by P2,000. **Credit** Liabilities to increase them.
- The company's **Cash** (Asset) *decreased* by the net amount paid. **Credit** Assets to decrease them.

### 4. Journal Entry:

○ Debit: Salaries Expense P20,000 ○ Credit: Withholding Tax Payable P2,000 ○ Credit: Cash P18,000

# Section 7: A Crucial Skill – Working Backwards from a Total

Sometimes, you won't have the price and tax broken down for you. You might just have a receipt with a final total. A key accounting skill is being able to work backwards to find the original numbers. Here's how you do it.

## 1. Finding the Original Price from a Total with VAT/Sales Tax

When a total includes a tax (like 12% VAT), that total represents 112% of the original price (100% for the item + 12% for the tax).

- **The Formula:**  $\text{Original Price} = \text{Total Amount} / (1 + \text{Tax Rate})$
- **Example (Philippines):** Let's say you have a receipt for **P56,000**. To find the original sales amount before the 12% VAT, you would do this:

◦  $\text{Original Price} = \text{P}56,000 / 1.12$  ◦  $\text{Original Price} = \text{P}50,000$  ◦ The VAT amount is then  $\text{P}56,000 - \text{P}50,000 = \text{P}6,000$ .

## 2. Finding Gross Salary from Net (Take-Home) Pay

This is more straightforward. The gross salary is simply the net pay plus all the deductions that were taken out.

- **The Formula:**  $\text{Gross Salary} = \text{Net Pay} + \text{All Taxes Withheld}$
- **Example:** Your employee received **\$880** in cash. You know you withheld **\$120** for taxes.

◦  $\text{Gross Salary} = \$880 + \$120$  ◦  $\text{Gross Salary} = \$1,000$

## Section 8: Key Accounting Differences by Country (as of 2025)

Item	Japan	USA	Philippines
Consumption Tax / VAT	10% consumption tax is a core part of the entry.	Sales tax is added by the seller but is generally not recorded in the company's revenue accounts. It's treated as a separate liability.	12% VAT is legally required to be separated in the journal entry.
Payroll Journal Entry	Deductions for withholding tax and social insurance are standard.	Deductions for Federal/State taxes and FICA (Social Security/Medicare) are standard.	Deductions for Withholding Tax, SSS, PhilHealth, etc., are standard.
Account Names	Primarily in Japanese.	English.	English-based (compliant with Philippine Financial Reporting Standards - PFRS).



## Section 9: Avoiding Common Mistakes

Here are some of the most common errors beginners make. Understanding these will save you a lot of headaches later on.



## Mistake #1: Mixing Up Debits and Credits

- **What it looks like:** You record an increase in Cash with a credit, or an increase in Sales with a debit.
- **Why it's a problem:** This is the most fundamental error and will make your books completely unbalanced.

Your financial reports will be incorrect, and you won't be able to trust your numbers.

- **Best Practice:** Keep the rules chart from Section 2 handy. Before finalizing any entry, do a quick mental check:

"Cash is an asset. Assets increase with a debit. Did I debit it?" A few seconds of review can prevent a major error.



## Mistake #2: Lumping Taxes in with Sales

- **What it looks like:** Recording the total P112,000 from the Philippines example as Sales Revenue.
- **Why it's a problem:** This overstates your revenue, making your company look more profitable than it actually is.  
It also understates your liabilities (what you owe), because you've failed to record the tax you owe the government.  
This can lead to significant penalties.
- **Best Practice: Always think about taxes.** Before you make an entry, ask yourself:  
"Does this transaction involve sales tax, VAT, or withholding?"  
If the answer is yes, that tax amount is *never* your money. Treat it as a separate liability from the very beginning.



### **Mistake #3: Expensing a Major Purchase That Should Be an Asset**

- **What it looks like:** Buying a \$2,000 professional video camera for Zyrine and recording it as a "Camera Expense" of \$2,000 in a single entry.
- **Why it's a problem:** This drastically understates your profit for the current period and understates the value of your company's assets. A large purchase that will be used for several years (like a camera, computer, or vehicle) isn't just a one-time expense; it's an asset that you will use over time.
- **Best Practice:** For significant purchases that have a long-term benefit (typically lasting more than one year), you should record them as an Asset (e.g., Debit "Equipment"). The cost is then spread out over the asset's useful life through a process called depreciation, a topic for another lesson.

## Section 10: Practice Problems

Let's test your skills with these scenarios.

<p><b>Q1 (Japan):</b> Cris designs a children's book which is sold on credit (not cash) for ¥200,000 to a Japanese bookstore. Show the journal entry. (Hint: a sale on credit creates an "Account Receivable").</p>	<p><b>Q2 (USA):</b> Jenelie, a passionate animal lover, buys \$300 worth of pet supplies for the office dogs using the company credit card. Show the journal entry for this expense. (Hint: using a credit card creates a "Credit Card Payable").</p>
<p><b>Q3 (Philippines):</b> Zyrine provides video editing services and bills a client P50,000 + 12% VAT. The client pays in cash. Calculate the total cash received and show the journal entry.</p>	<p><b>Q4 (General):</b> Payroll: An employee's gross pay is \$1,000. The company withholds \$120 for taxes. Calculate the net pay and show the journal entry for the payment.</p>
<p><b>Q5 (USA):</b> Patricia loves to stay active with strength training. The company decides to support this by purchasing a set of dumbbells for the office gym for \$400 cash. Is this an expense or an asset? Show the journal entry.</p>	

# Section 11: Answers and Explanations

## A1 (Japan)

- Debit: Accounts Receivable ¥200,000
- Credit: Sales Revenue ¥200,000
- *Explanation: We debit Accounts Receivable (an asset) because the bookstore owes us money. We credit Sales Revenue because we earned it.*

## A2 (USA)

- Debit: Office Supplies (or Pet Supplies) \$300
- Credit: Credit Card Payable \$300
- *Explanation: We debit the expense account because the cost was incurred. We credit Credit Card Payable (a liability) because we now owe the credit card company money.*

## A3 (Philippines)

- Calculation:  $P50,000 * 0.12 = P6,000$  VAT. Total Cash = P56,000.
- Debit: Cash P56,000
- Credit: Service Revenue P50,000
- Credit: VAT Payable P6,000
- *Explanation: Cash (asset) increases by the total received. Service Revenue increases by the amount earned, and VAT Payable (liability) increases by the tax collected for the government.*

## A4 (General)

- Calculation:  $\$1,000 - \$120 = \$880$  Net Pay.
- Debit: Salaries Expense \$1,000
- Credit: Taxes Payable \$120
- Credit: Cash \$880
- *Explanation: The expense is the full gross pay. The liability is the tax withheld, and cash decreases by the net amount paid out.*

## A5 (USA)

- Debit: Office Equipment \$400
- Credit: Cash \$400
- *Explanation: Because the dumbbells are durable and will be used for a long time, they are considered an Asset (Office Equipment), not an immediate expense. We credit Cash because it was used to buy them.*

## Final Challenge: Balance the Books

You've seen the answers. Now, can you do it without the guide? It's time to test if you can calculate the taxes and balance the journal entries for Japan, the USA, and the Philippines.

### Your Mission:

1. Click the link below for the **Math Quiz**.
2. **Goal:** 100% Accuracy.
3. **The Challenge:**
  - Calculate **Net Pay** after tax withholdings.
  - Work backwards from a total to find the **Original Price** ( $\text{Total} \div 1.12$ ).
  - Calculate the correct **Consumption Tax** (10%) for a Japanese transaction.

*(Once you pass the quiz, scroll down to the Karaoke Break to lock it in!)*

[Interactive Accounting Math Quiz](#)

## 🎵 Final Sing Along: "The Balancing Act"

You made it! You've mastered the art of the Journal Entry. To celebrate—and to ensure you never forget how to handle a complex invoice—we have one final track.

### Your Mission:

1. Click the link below.
2. Select **Track 2: "The Balancing Act."**
3. Sing it loud!

**Lyrics Preview:** *"Now when you pay your people, it's subtraction time instead, The expense is their Gross Salary, the number in your head. Subtract the tax you have to withhold for the government's fee, The result's the Net Pay, what they actually see!"*

[Accounting Sing Along](#)

## Section 12: Summary



Great work! You've just learned the single most important skill in accounting.

This isn't just theory; it's the practical foundation for understanding the financial health of any business.

### The Golden Rule

Every transaction is a story with two sides, translated into a journal entry where **Debits = Credits**. Always. This keeps the universe in balance.

### Keep it Simple

Don't get intimidated by the words. Debit means left, Credit means right. The chart in Section 2 is your best friend—use it until it becomes second nature.

### Context is Key

As we saw, the rules for things like sales tax and VAT change depending on the country. A great accounting professional always understands the local laws and context.

You now have the superpower to translate business activities into the language of finance. This skill is your foundation.

## Section 13: Conclusion

You have now learned the single most important skill in accounting, which is the practical foundation for understanding any business's financial health. Always remember the golden rule: every transaction has two sides, and your debits must always equal your credits. Don't be intimidated by the terms; "debit" simply means left and "credit" means right. By mastering this logic and understanding that context is key—especially with country-specific rules for VAT or sales tax—you now have the power to translate any business activity into the universal language of finance.

# The Global Accountant's Cheat Sheet

**Accounting is a universal language, but the dialects change.**  
Use this quick reference guide to translate the core concepts across borders.

## The Core Vocabulary

Term	Definition	Real-World Context
<b>Journal Entry</b>	A chronological record of a financial transaction. The "diary" of the business.	The first step in the accounting cycle.
<b>The Golden Rule</b>	<b>Total Debits = Total Credits.</b>	If this doesn't balance, your books are wrong.

## The Core Vocabulary

Term	Definition	Real-World Context
<b>Debit (Dr.)</b>	The <b>Left</b> side of an entry.	Increases Assets and Expenses. Decreases Liabilities, Equity, and Revenue.
<b>Credit (Cr.)</b>	The <b>Right</b> side of an entry.	Increases Liabilities, Equity, and Revenue. Decreases Assets and Expenses.
<b>Assets</b>	Resources owned by the business that provide future value.	Examples: Cash, Equipment, Inventory, Accounts Receivable.

## The Core Vocabulary

Term	Definition	Real-World Context
<b>Liabilities</b>	Debts or obligations the business owes to outsiders.	Examples: Loans, Accounts Payable, Taxes Payable.
<b>Accounts Receivable</b>	Money owed to the business by customers (an Asset).	Created when you sell a product on credit/invoice.
<b>Accounts Payable</b>	Money the business owes to suppliers (a Liability).	Created when you buy supplies on credit.

## Global Context - Recording Rules

Concept	Japan	United States	Philippines
<b>Sales Tax / VAT</b>	<b>Consumption Tax (10%):</b> Recorded as a liability. Often included in the gross price but must be separated in the books.	<b>Sales Tax:</b> Collected for the state/city. It is a liability, never revenue. Rates vary by location (e.g., 8.25%).	<b>VAT (12%):</b> Must be strictly separated in the journal entry. (Debit Cash, Credit Sales, Credit VAT Payable).
<b>Payroll Entries</b>	Deductions include Income Tax, Resident Tax, and Social Insurance.	Deductions include Federal Tax, State Tax, and FICA (Social Security/Medicare).	Deductions include Withholding Tax, SSS, PhilHealth, and Pag-IBIG.
<b>Primary Focus</b>	<b>Tax Compliance:</b> Meticulous detail required for national tax agency reporting.	<b>Investor Reporting:</b> Adherence to GAAP (Generally Accepted Accounting Principles).	<b>Tax Filings:</b> Frequent reporting to the BIR (Bureau of Internal Revenue).