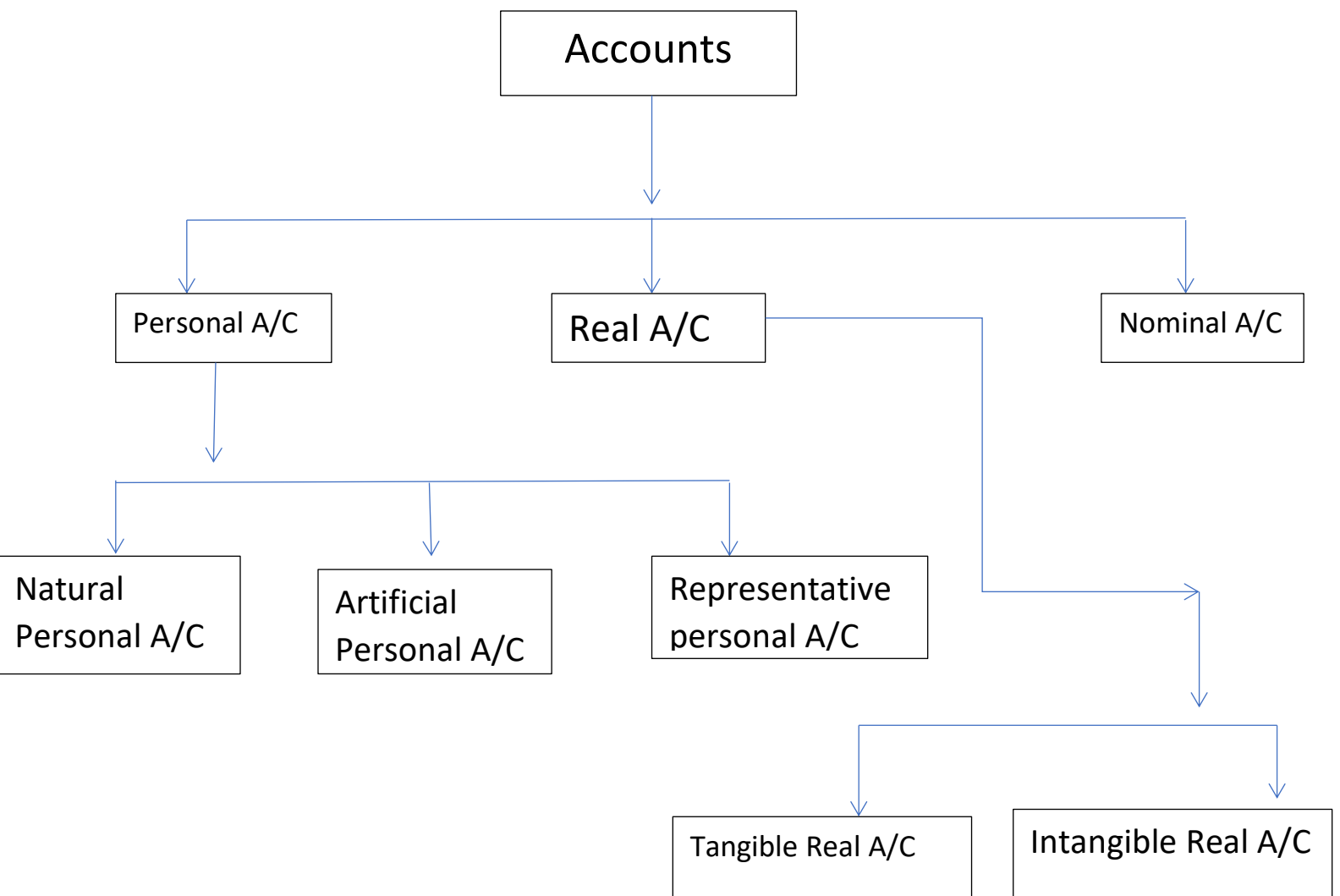


Classification of Accounts / Rules of debit and credit-

- 1) Classical Approach (British Approach)
- 2) Modern Approach (American Approach)

Traditional Approach-



Personal Account- The Personal Accounts include the account of persons with whom the Business deals. This account is classified into three Categories-

1. **Natural Personal A/C-** means who are creation of God.
For E.g. Account of Ramesh, Suresh or Dinesh.
2. **Artificial Personal A/C –** This include accounts of corporate Bodies all institutions which are recognized as persons in Business dealings.
For Example- Accounts of CSJMU, TATA Ltd. , RSPL. Ltd.,etc.
3. **Representative Personal A/C –** These are the accounts which represents a certain person or group of persons.
For Eg- salary due to Employees and outstanding salary account is open in books.

Rules of Debit and Credit Under Personal A/C-

<p>Debit the Receiver</p> <p>Credit the Giver</p>

Real Account - All the assests are comes under real account.

Real A/C may be of two types:

1) Tangible Real Accounts - are those A/C which we can be touch, feel and measured.

For Eg- Land and building plants and machinery, furnitures and fixtures, cash in Bank, etc.

2.) Intangible Real Accounts - are those accounts which can not be touched, However they can be measured in terms of money.

For E.g.- Patent, Goodwill, Trademarks, etc.

Rules of Debit and Credit under Real A/C-

Debit what comes in
Credit what goes out

Nominal A/C- Nominal Accounts are opened in the books of accounts to simply explain the nature of transactions. They do not really exist. These account are also known as income or gain and Expenses or loses.

For E.g.- Salary paid, Rent paid, commission paid, or rent received, commission received, etc.

Rules of debit & Credit under Nominal A/C-

Debit All Expenses or Losses
Credit All Income and Gains

Modern Methods of classification of Accounts-

The Rule of Debit and Credit depend on the nature of Accounts for this purpose all the accounts are Classified into the following 5 Categories-

	Debit (Dr)	Credit (Cr)
Assests	+ (Increased)	- (Decreased)
Liabilities	-	+
Capital	-	+
Revenue or Income	-	+
Expenses or Losses	+	-