



Understanding Double Entry Accounting

Strata Master is a double entry accounting platform. Therefore it creates Balance Sheets and Income & Expenditure reports and other financial reports.

This article will assist the recall of those with some prior Book keeping or Accounting experience. It does not replace a training session or program.

For training, please contact education.apac@mrisoftware.com or click this link - [MRI Training Academy - Rockend University \(skilljar.com\)](#)

What does Double Entry Mean ?

Double entry means that every transaction is comprised of a debit to one account, and a credit to another account. So for example, when receiving money from an owner for Keys, the transaction would be recorded with a debit to cash at bank and a credit to an income or revenue account for Keys. So, the Cash you hold increases and so does the record of key revenue increase.

How Does a Cash Account Increase with a Debit?

Look at this example of double entry. In Accounting, Assets such as cash increase with a debit, and Liabilities like loans increase with a credit. If you take out a loan and increase your liability to the bank, your cash money asset also increases when you receive the loan funds. So you need a debit to increase your cash asset.

Most people are confused because they relate to their own bank statement, where a debit is not good. That is money going out. And a credit is good, right? Not necessarily.

The reality is, the Bank Statement is sent to you from the 'Bank's' perspective A credit to them is a liability (essentially a loan) because you could come and take the money out. So as a credit increases on your bank account, so does the Banks liability to you.

Conversely, a debit means that the liability for them is decreasing.

The Accounting Equation

This equation must always balance. This is what a Balance Sheet shows : $\text{Owners Equity} = \text{Assets} - \text{Liabilities}$

The equation can also be written as $\text{Assets} = \text{Liabilities} + \text{Owners Equity}$

How the Accounting Equation Works

Assets increase with a debit, Liabilities increase with a credit and Owners Equity increase with a credit.

Conversely, Assets decrease with a credit, Liabilities decrease with a debit and Owners Equity

decreases with a debit.

What this means in simple terms is : when an asset (cash or receivables) is increased, so must a Liability (loan/creditors) or Owners Equity

However to keep the equation balanced you can increase cash when a Lot Owner pays a levy, which then decreases the receivables.

The Accounting Equation With Debits and Credits

Example 1

You make a payment to a creditor (note this journal is created automatically by Strata Master when you make a creditor payment) -

- decrease a liability with a debit
- decrease cash with a credit

Example 2

You receipt funds from a Lot Owner who is paying a Levy due (note this journal is created automatically by Strata Master when you receipt) -

- increase a cash asset with a debit
- decrease a Receivables asset with a credit

The Chart Of Accounts

The Chart of Accounts is a list of all the accounts your Strata Master holds. When processing any transactions manually you will need to select an account from this list.

Go to Formatted Reports icon, then Select Chart of Accounts from the list

You will notice the list is divided into Assets, Expenses, Liabilities, Revenue and Owners Equity, and further divided into Funds Admin and Capital Works (Sinking/Maintenance)

This list will assist you to identify whether a transaction requires a debit or a credit, for example, look at the type of account and then consider are you increasing or decreasing that account.

Useful Links

<https://kb.rockend.com/help/how-to-create-or-enter-a-journal>

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