20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **There are three golden rules of accounting under the traditional approach.**
   The three rules cover Real, Nominal and Personal accounts and decide every debit-credit entry.

2. **The traditional approach to accounting is also called the British approach.**
   It is the older method taught alongside the modern American five-account-head approach.

3. **Real account rule: Debit what comes in, Credit what goes out.**
   This rule applies to asset, liability and equity accounts such as Cash A/c and Bank A/c.

4. **Nominal account rule: Debit all expenses and losses, Credit all incomes and gains.**
   This rule applies to accounts tracking a business's income and expenditure.

5. **Personal account rule: Debit the receiver, Credit the giver.**
   This rule applies to accounts of individuals, firms, companies or institutions.

6. **Real accounts record assets, liabilities and owner's equity.**
   Examples include Cash A/c, Bank A/c, Building A/c and Machinery A/c.

7. **Real accounts are not closed at year-end; their balances carry forward.**
   Their balances appear on the balance sheet and roll into the next accounting period.

8. **Nominal accounts record incomes, expenses, gains and losses.**
   Examples include Salaries A/c, Rent A/c, Sales A/c and Purchases A/c.

9. **Nominal accounts are temporary and are closed to the profit and loss account each period.**
   Unlike real accounts, they do not carry a balance forward to the next year.

10. **Personal accounts are ledger accounts of individuals, firms, companies or institutions.**
    Examples include a customer's account, a supplier's account, Capital A/c and Drawings A/c.

11. **Cash A/c, Bank A/c, Building A/c and Machinery A/c are examples of real accounts.**
    These are balance-sheet accounts representing assets held by the business.

12 **Salaries A/c, Rent A/c and Sales A/c are examples of nominal accounts.**
These accounts track expenses and income for the accounting period.

13 **Capital A/c and Drawings A/c are personal accounts of the owner.**
They record the owner's stake in and withdrawals from the business.

14 **Every transaction in double-entry bookkeeping affects at least two accounts.**
One account is debited and another is credited for each transaction.

15 **In double-entry bookkeeping, total debits must always equal total credits.**
An unequal entry signals an error in recording the transaction.

16 **The modern approach classifies accounts into five heads: assets, liabilities, capital, revenue and expenses.**
This American approach is an alternative to the traditional three-rule system.

17 **The modern and traditional approaches always produce the same final journal entry.**
Both methods are just different routes to identical debit and credit outcomes.

18 **Accounting and Financial Management for Bankers, AFM, is a JAIIB exam paper.**
The golden rules form the foundation for journal entries and final accounts tested in AFM.

19 **Classifying an account as Real, Nominal or Personal is the first step before applying a golden rule.**
The correct rule can only be applied once the account type is identified.

20 **Purchases A/c and Sales A/c are nominal accounts, not real accounts.**
A common student error is treating these trading accounts as real accounts.