

Chapter 1 : American History USA

History of Debits and Credits 'Debits and credits' is a financial transaction classification system that was first used by the Venetian merchants in Italy in the 15th century.

This paper presents a centurylong history of the debitcredit method of doubleentry bookkeeping in China. Since introduced to China at the turn of this century, debitcredit bookkeeping has gone through many years of turbulence until , when the Chinese government officially designated it as the standard bookkeeping method. Rather than taking a narrow technical perspective, this paper examines many historical events that shaped bookkeeping methods in China from a broad socioeconomic and political viewpoint. The story of debitcredit bookkeeping in China exemplifies how accounting is intertwined with the political and socioeconomic environment in which it exists. Not only does accounting evolve in response to the political and socioeconomic environment, it also plays an active role in shaping and influencing organizational and societal changes, which in turn create possibilities for its own transformation [Hopwood, , p. The convergence of those forces “ free expression, private property, credit growth, and capital accumulation in 14th century Italy “ created the precondition for the birth of modern accounting. The author wishes to thank Drs. Haggerty and George Q. Xu at Clarion University; the editor, Dr. Fleischman; and two anonymous reviewers for their valuable comments and suggestions. The financial support of the College of Business Administration, Clarion University, is gratefully appreciated. To satisfy the needs of large industrial corporations, accounting was reshaped and changed to reflect the increasing importance of such concepts as depreciation, cost accounting, separation of the investor and the manager, multiple users of financial statements, and the distinction between return on and of investment [Hendriksen and Breda, , p. These accounting developments helped facilitate the advancement of Western industrial capitalism and the formation of market economies dominated by large, multinational corporations. The American stock market crash in and the subsequent depression led to the creation of the Securities and Exchange Commission in , and the start of a regulated environment, which has significantly influenced the contemporary development of accounting in the U. With authority bestowed by the SEC, the accounting profession has tried diligently to make the selfregulation model a success. As we are continuing to observe today, the stock market and changes in the market have in turn become primary mobilizing forces behind the current development of accounting. While history suggests that accounting interacts with the political and socioeconomic environment within which it operates, studies of accounting change and history often take a rather technical perspective, viewing accounting as a set of techniques for collecting and processing useful information for organizational improvement [Hopwood, , p. This narrow technical perspective was directly challenged by Loft [, p. Through a detailed documentation of cost accounting in the U. This current paper examines a turbulent history of debitcredit bookkeeping in China during the 20th century to illuminate further the interplay between accounting and the wider society in which it exists. While the ancient Chinese civilization was one of the contributing factors to the birth of modern accounting in 14th century Italy [Hendriksen and Breda, , p. By that time, Chinese accounting had already enjoyed a long and distinctive history [Zhao, , p. Although a purely technical method of accounting, the technique could not escape the influence of historical events and political as well as socioeconomic developments. This paper relates the story of debitcredit bookkeeping in China from a broad historical perspective. If history portends the future, accounting will continue to evolve in response to changes in Chinese society. The paper is organized as follows. The next section briefly describes bookkeeping methods in China precedent to the 20th century. The process by which debitcredit bookkeeping was introduced to China follows. The three sections before the concluding remarks recount the stormy history of the debitcredit method subsequent to its introduction to China. Finally, the major lessons of this study are summarized in the concluding remarks. The results of their research are synthesized with other sources in this paper to present a comprehensive and coherent analysis of how bookkeeping methods in China interact with the environment. During that period, an emergent slave system brought about agricultural progress which necessitated accounting to track the increasing amount of wealth accumulated by the royal family. Historical records show

that a decimal system was mastered and large numbers 30, were used in recording. These two words were commonly used to describe economic activities in China. During the Warring States period B. A singleentry system was used to record transactions with ru, indicating receipts of revenue, and chu, payments of expenditure. This singleentry bookkeeping only accounted for changes either increases or decreases of state properties. At the end of an accounting period, all entries were summarized and balanced, based on the principle of Sanz. These designations eventually became dominant in traditional Chinese accounting systems [Zhao, , p. Bookkeeping progressed very slowly in ancient China due to the low level of commercial activities. Originated from Confucian ideology, commerce was a highly despised activity in ancient China, and merchants were ranked among the lowest in society [Lin et al. No wonder for centuries after its invention, the singleentry system remained a sufficient bookkeeping method for both governmental and private accounting. During the Tang and Song Dynasties 10th12th century , Shizhu Jiesuan fourpillar balancing emerged as a bookkeeping innovation [Guo, , p. To summarize and balance entries for a period, a fourcomponent formula was followed “ jiuguang old trust or beginning balance plus xinshou receipt is equal to kaicu payment plus shizai real existence or ending balance. This equation is remarkably similar to the balancing principle of modern Western accounting. With commercial and economic activities expanding over time, singleentry bookkeeping became inadequate to deal with increasingly complex business transactions. A new, hybrid bookkeeping method called Sanjiao Zhang threeleg bookkeeping appeared around the middle of the 15th century [Guo, , p. Differing from traditional singleentry bookkeeping, Sanjiao Zhang recorded transactions involving claims on and transfers of assets in two entries, with one recorded as shou receipt and the other as fu payment. This is clearly a feature of doubleentry bookkeeping. But a singleentry format was retained in recording cash transactions as shou or fu. While an important innovation in the history of Chinese accounting, Sanjiao Zhang was still a primitive method in comparison to modern doubleentry bookkeeping. A fullblown, doubleentry bookkeeping method did not surface in China until the mid17th century at the end of the Ming and the beginning of the Qing Dynasties. Accounts were classified into four categories “jin to record receipts of revenue , jiao to record payments of expenditures , cun to record stocks of assets , and gai to record claims on assets, including capital and liabilities. It retained shou receipt and fu payment as bookkeeping labels, but recorded every transaction in two entries of the same amount. To settle Longmen Zhang to close the Dragon Gate , the balance between jin receipt and jiao payment had to equal that between cun stock and gai claim. After some modifications, Longmen Zhang was renamed Shijiao Zhang fourleg bookkeeping as compared to the hybrid Sanjiao Zhang of the 15th century. With so many of its features resembling Western debitcredit bookkeeping, it is truly remarkable that the Chinese invented Longmen Zhang independent of the influence of Western accounting. Although China had numerous accounting innovations during its long history, bookkeeping methods before the 20th century were primarily the products of the smallscale, feudal economy. They were developed in an environment that required record keeping for relatively simple economic activities. The process of accounting change was extremely slow because commercial activities were deemphasized and the precondition for accounting improvement simply did not exist. No matter how frequent the change of dynasty, China remained a closed society to the outside world with the Emperor as the paramount ruler. Economic efficiency was never a concern to the rulers of China in its thousands of years of history. Eventually, changes in Chinese society brought about the need for accounting transformation. Starting from the midMing Dynasty , private commercial activities gradually grew in China and led to the emergence of privately owned, handicraft workshops, commercial centers and cities, and foreign trade [Lin et al. A free employment relationship, different from the feudal system, arose within these newly founded private businesses, which further spurred the development of commercial activities. With the economy growing and business transactions becoming more complicated, traditional Chinese bookkeeping revealed some severe weaknesses, such as the lack of integrated account systems, inconsistent account classifications, irregular account forms, different bookkeeping labels, poor organization of books, ambiguous recording rules, and difficulties in teaching and learning [Lin, , p. By the middle of the 19th century, the need for accounting reform arose, and people began to study Western accounting as an alternative. It was in this environment that Western debit and credit bookkeeping was introduced to China. Before the war, China was a sovereign, feudal

nation where commercial exchanges with foreign countries were limited and controlled. The Opium War forced the Chinese government to open its doors to Western commercial interests. After the war, business people from the West swarmed to China to open factories, trading companies, and banks. They also obtained direct control of customs, the railroad, the postal service, and other governmental agencies through a series of treaties. These foreign-owned or controlled businesses and agencies were the first to apply Western-style, double-entry bookkeeping in China. Although debit-credit bookkeeping came to China immediately after the Opium War, it was not until that Xi Yong Cai wrote the first book in Chinese about Western bookkeeping [Chen, , p. Although the book was an important development in the history of Chinese accounting, it did not have a significant impact on the accounting practice at the time because of its attempt to compromise between Western bookkeeping and traditional Chinese methods [Guo, , p. Not only did the book contain an extensive and systematic description of Western double-entry bookkeeping, it also illustrated the application of the method to the banking industry, including a chart of accounts and sample transactions [Chen, , p. Established in , the Bank of Great Qing, the predecessor of the Bank of China, led the way in reforming traditional accounting practice. Relying on the newly published book, the Bank developed a new accounting system based on the debit and credit method and set up training schools in Beijing to assist in the transition [Guo, , p. By , now renamed the Bank of China, it completed the conversion from traditional Chinese bookkeeping to the Western double-entry system. Shortly thereafter, several other banks, such as the Bank of Communications, followed suit as debit-credit bookkeeping gradually expanded into the entire banking industry. It underwent several decades of turbulent development due to various political and socioeconomic reasons. During the s and the s, traditional Chinese bookkeeping coexisted with the Western method. However, debit-credit bookkeeping gained momentum during the period, threatening to prevail over the traditional system. Prospects for the demise of the indigenous method caused great concern among those who felt strongly about national heritage and pride. Instead of completely abandoning traditional Chinese bookkeeping, they advocated accounting reform by preserving the essence of the traditional system while incorporating the merits of the Western method. At the same time, in contrast to what reformers advocated, a group of people held a more radical and revolutionary view, calling for a complete abandonment of the traditional system and a replacement of Chinese bookkeeping with Western-style, debit-credit bookkeeping [Chen, , p. The chief advocate of the reformist school, a well-known Shanghai accountant Yong Zuo Xu, established the Journal of Accounting in January to discuss and promote the reformist agenda. It was believed that Chinese bookkeeping had merits in both form and substance which could not be replaced by Western debit-credit bookkeeping. In December of the same year, he published a book, Reform of Chinese Bookkeeping, in which he revealed a complete and detailed reform plan. The reform was based on the notion that the advantages of debit-credit bookkeeping could be incorporated into the traditional Chinese system of Shijiao Zhang. Shou receipt and fu payment were retained as bookkeeping labels, but the old pattern of vertical writing was replaced by horizontal writing, and a multicolumn account format including date, transaction, receipt, payment, and balance was adapted from the Western method [Zhao, , p. The revolutionist school was led by a U. He founded Li Xin Accounting, a major accounting firm in China, and actively promoted the debit-credit method throughout his practice. The revolutionist school argued that debit-credit bookkeeping was the most logical and scientific method of bookkeeping that had been ever invented and that its principles were equally applicable in any country around the world. As debit-credit bookkeeping had its genesis in technological advances and socioeconomic changes, they predicted the eventual demise of traditional shoufu bookkeeping in China. Not only did these two schools engage in public debate about the pros and cons of Chinese versus Western bookkeeping methods, they also competed with each other in practice. The government of the Republic of China took an ambiguous position in this debate. On the one hand, the Uniform Accounting System, promulgated by the government, stipulated the adoption of debit-credit bookkeeping. On the other hand, the government simultaneously allowed the use of the traditional bookkeeping method [Guo, , p.

Chapter 2 : Double-entry bookkeeping system - Wikipedia

To determine whether one must debit or credit a specific account we use either the accounting equation approach which consists of five accounting rules or the traditional approach based on three rules (for Real accounts, Personal accounts, and Nominal accounts) to determine whether to debit or to credit an account.

July 11, To fully appreciate the modern convenience of the credit card , simply insert your chip card , pause while it processes, and consider what it replaced. Prior to plastic, money as a means of exchange for goods and services was cumbersome, if not outright dangerous. Beginning as far back as B. From the beginning, credit cards offered significant advantages over all forms of money: The dawn of credit cards According to historian Jonathan Kenoyer , the concept of using a valueless instrument to represent banking transactions dates back 5, years, when the ancient Mesopotamians used clay tablets to conduct trade with the Harappan civilization. While still cumbersome, a slab of clay with seals from both civilizations certainly beat the tons of copper each would have had to melt down to produce the coins of that era. Fast-forward to America circa the s. During westward expansion, merchants would use credit coins and charge plates to extend credit to local farmers and ranchers, allowing them to forgo paying their bills until they harvested their crops or sold their cattle. In the early s, a few U. Such cards were accepted only at the issuing merchant and designed less for convenience than to promote customer loyalty and improve service. Bank-issued charge cards originated in when a Brooklyn banker named John Biggins launched the Charg-It card. Purchases could only be made locally and only bank customers could obtain a Charg-It card. With postwar America on the go, two dining and entertainment charge cards quickly followed. Months later, McNamara and his partner, Ralph Schneider, returned to the restaurant with a small cardboard card and a proposal that resulted in the Diners Club Card. Used mainly for travel and entertainment, the Diners Club Card claims the title of the first credit card in widespread use. Although its purchases were made on credit, Diners Club was technically a charge card, meaning the bill had to be paid in full at the end of each month. The American Express card , which launched in , had an altogether different provenance. Formed in as a competitor to the U. American Express would soon claim milestones of its own by expanding its reach to other countries and introducing the first plastic card in , replacing cardboard and celluloid. Within five years, 1 million American Express cards were in use at 85, merchants, foreign and domestic. Bank cards and revolving credit Major banks would soon launch their own consumer cards, but with a welcome twist. Instead of users having to settle their bill in full each month, bank cards would truly become credit cards by offering revolving credit, which allowed cardholders to carry their monthly balance forward for a nominal finance charge. Bank of America was first out of the gate in , mailing unsolicited BankAmericard credit cards to select California markets. It would be renamed Visa a decade later to acknowledge its growing international presence. While banks initially had to choose between the Visa and MasterCard association, changes to association bylaws have since allowed banks to join both associations and issue both types of cards to their customers. Regulation and litigation As the popularity of bank and nonbank credit cards exploded in the s, so did legislation aimed at addressing consumer complaints against this fast-growing industry. Among the regulatory course corrections: The Fair Credit Reporting Act of restricted the collection and use of credit report data. The Fair Credit Billing Act of amended the Truth in Lending Act to rein in abusive billing practices and enable consumers to dispute billing errors. Also in , the Equal Credit Opportunity Act was passed, disallowing lenders to discriminate against any applicant based on gender, race, marital status, national origin or religion. The six-year litigation ended in , when the U. Card personalization allowed users to slap their favorite photo onto the face of their card who can forget Spaghetti Jimmy? And even jewelers caught card design fever, turning credit cards into wearable art. Card manufacturers also explored more exotic biometric solutions to cardholder verification, including facial, iris, hand and finger scans, voice prints and even RFID chip implants. The advantage of EMV: It is a more secure ID verification and payment solution. It still relies on a physical card. The future of credit cards What will credit cards look like in 25, 50 or years? Judging by the changes we see around us today, from rapidly evolving online and mobile payment technologies to home appliances that monitor and digitally reorder their own contents, card

payments will likely be increasingly integrated into our lives in new and creative ways. As a harbinger of payment options to come, Apple introduced Apple Pay in , the first mobile payment technology in widespread use. Fast-forward a century and we may even become our own credit card, our physical forms instantly identifiable by video recognition and artificial intelligence at shops, banks, restaurants and entertainment venues. Should technology one day render the physical credit card obsolete, it will have completed its mission to make the exchange of goods and services as convenient as humanly possible. Magnetic stripe begins its farewell tour

Join the discussion We encourage an active and insightful conversation among our users. Please help us keep our community civil and respectful. For your safety, do not disclose confidential or personal information such as bank account numbers or social security numbers. Anything you post may be disclosed, published, transmitted or reused. If you are commenting using a Facebook account, your profile information may be displayed with your comment depending on your privacy settings. The editorial content on CreditCards. The comments posted below are not provided, reviewed or approved by any company mentioned in our editorial content. Three most recent Research, statistics stories: Homeowners are increasingly using cards to renovate their homes

â€” New research shows homeowners looking to make over their backyards or revamp their dated kitchens are turning to credit cards instead of traditional lending options to finance their renovations

Chapter 3 : Debits and credits - Wikipedia

The "Debits and Credits" system captures and records the flow of economic resources from a source (credit) to a destination (debit). It also ensures that the accounting equation remains in balance after each transaction is entered.

The first modern credit card was only established in , and it is only since that the usage of them has taken off. The result was a social revolution away from saving, and in favor of spending. Long stigmatized as a sign of impulsiveness and weak character, consumer debt became an accepted part of financial management. This has been a huge source of profits for the financial industry, and a source of increased purchasing power for the consumer. However, most consumers have been remarkably unwary about the downsides of credit card debt.

Credit before credit cards The idea of using credit to purchase goods is nothing new by any means. However, there was no widespread system in place to regulate this credit in the early United States. Throughout the 18th and 19th century, credit was almost always granted on a store-by-store basis. At its best, this system allowed farmers and businessmen to purchase essentials while they waited for the harvest or accounts receivable. The threat of receiving no credit in a subsequent year was more than enough to ensure payment when an influx of cash was received. In its more insidious form, store credit was given out as a means of entrapment. Company stores in mining towns made sure that a gap naturally existed between the cost of their products, and the wages that they paid out. The same practice proliferated throughout the South, at those stores where sharecroppers were required to shop. The objective was to depress wages and decrease turnover. If an indebted worker tried to flee, they could be subject to arrest.

The rocky beginnings of the credit card industry In modern times, the credit card has been created to fill the need of deferred payment for consumer goods. As with many things, the locale of innovation was California. It was in this state that the BankAmericard was introduced in . The cards could be used at a variety of stores throughout the state. The unsolicited sending of fully active credit cards became a common marketing tactic. Unfortunately for the card companies, it greatly backfired in what was labeled "The Chicago Debacle". In advance of the Christmas holiday, a number of companies attempted to make their move into the Chicago market, using the standard practice of mailing pre-approved, functioning cards as their solicitation. Unfortunately, members of organized crime caught wind of these campaigns, and they used corrupt employees in the Postal Service to intercept thousands of cards. Outraged people throughout the Chicago area began receiving bills for accounts that they had never heard of. It was one of the first cases of large-scale identity theft in the United States. The resulting Congressional Hearings placed a lot of negative press on the fledgling industry, and the practice of mailing pre-approved cards through the mail was ended.

National standards for consumer credit By the s, the credit card infrastructure had been moved online, and the system had been largely nationalized. The familiar providers -- Visa, Mastercard, and American Express -- had also established themselves as national brands. However, there was still a huge regulatory impediment to the industry. Credit card companies were hamstrung by state usury laws. The Supreme Court changed this situation with their decision in *Marquette Nat. Bank of Minneapolis v. First of Omaha Service Corp.* This ruling allowed credit card companies to charge the interest rate of the state they were located in, rather than the state that their customers were located in. Effectively, the least regulated state in the nation became the benchmark for everyone. Citibank was the first to take advantage. In , they moved their credit card operations from New York to South Dakota, where there was no limit on interest rates at all. Other banks quickly followed suit, and a truly national credit card industry was born.

An explosion in consumer debt: After the recession ended, the inflation rate plummeted. Card companies discovered that they could keep their rates at the same levels, however, without a decrease in business. **Decline in personal savings rate** **Increase in advertising, start of cable, etc.** For instance, did wages stay stagnant because workers in debt were less able to bargain for increases? Or did stagnant wages lead to an increase in credit card usage? **Credit card debt and its effects on society** Regardless of the causes, a widespread cultural consensus broke down. By the mid s, the personal savings rate was effectively zero and many millions of people were deeply in debt -- not from productive investment but from living beyond their means. Companies across the spectrum of industries benefited from the new paradigm on consumer debt. Here are just some of the ways: Increased profit for large

banks and card providers Increased "purchasing power" for consumers, supporting higher aggregate demand
More leverage over employees who were in debt Creation of the FICO score to assist in lending decisions
For their part, people who used credit cards to make purchases were able to live beyond the means that their incomes provided. In the short term, this improved their level of prosperity. The future costs were: Lower retirement savings
Greater percentage of future paychecks dedicated to debt service Less ability to attempt self-employment
Increased risk of bankruptcy Vulnerability to large and unexpected expenses health care, housing, college
Huge increases to borrowing costs on mortgages, cards, etc. For the most part, American consumers decided that greater debt was compensated for by the increased use of luxury consumer goods. They were spurred on by highly sophisticated advertising campaigns -- a cultural revolution actually -- that encouraged this new mentality towards consumer debt.

Chapter 4 : What is Accounting? | What are debits and credits?

Debit cards are a new method to transact cash between a buyer and a seller of goods or services. They replace the interest-bearing debt created by using credit cards and restrict the user to the actual amount of money contained in his account.

They were used to record the debts of the merchant or businessman. At an accelerated pace, meeting three hours a day, four days a week, we flew through ledger accounts, journal entries, financial statement preparation and accounting struck a chord in me. I found its symmetry satisfying. It appealed to my sense of order by its ability to organize and summarize diverse and seemingly chaotic transactions. Even journal entries made sense to me almost from the start. After overcoming this first obstacle, I found the use of debits and credits to be nothing less than perfectly reasonable and logical. But I was still troubled by the abbreviations for these two basic bookkeeping terms. But wait a minute. This anomaly bothered me enough that I began asking a few accountants, both practitioners and academics, to explain it. These varied widely in intellectual and aesthetic appeal. So the search continued. Too whimsical to be true? Unfortunately yes but it makes a good story. Maybe it has something to do with the Italians. After all, the invention and use of double-entry bookkeeping, with its diabolical system of debits and credits, is commonly linked to the development and growth of the great merchant cities of Italy – Genoa, Florence, and Venice [Yamey, , p. I had just been looking in the wrong language. Dare seems to be the answer to my sophomoric question. Modern Italian seemed a good starting point. Maybe the problem is that it is TOO modern. His *Summa de Arithmetica Geometria et Proportionalita*, printed in Venice in , provides an interesting historical perspective on the development of accounting. Pacioli took no credit again no pun intended for inventing the system of bookkeeping he described in his treatise. This system bears remarkable similarities to the bookkeeping methods we use today even to the point of having developed fairly stylized journal and ledger entries. Today we have an established format for our journal entries, viz. For example, to journalize the collection of an open account the entry would be: Anyone familiar with modern bookkeeping can identify which accounts are being debited or credited by simply noting the order and position in which the account appears on the page of the journal. Though in full paragraph form, the recording of a transaction follows a set pattern with the account being debited always being preceded by the Italian preposition *Per* and the account credited being preceded by another preposition *A*, thereby revealing, at a glance, the accounts affected by a particular transaction. These other meanings may well shed some light on the rather peculiar abbreviations we use today. These simple abbreviations are for the English translation of Italian terms denoting the parties to a debt relationship. Can it really be so easy? Though it is true that ledger accounts and journal entries were originally developed to note debt relationships among merchants, their use was expanded to cover an increasing number of business dealings. The first known English text, printed as early as and reprinted by Mellis in , bore the descriptive title *Here ensueth a profitable treatyce called the instrument or boke to learne to knowe the good order of the kepyn of the famouse reconyng, called in latyn Dare et Habere, and in Englyshe Debitor and Creditor*. Contrast the rule of double-entry as enunciated by Mellis in with the explanation offered by a modern accounting text. The double entry rule states that when recording each transaction, the total amount of the debit entries must be equal to the total amount of the credit entries for that transaction. The *Accounting Historians Journal*, Vol. Gene and Kenneth S. Johnston, *Pacioli on Accounting*. Young, ; 2nd Ed. Nicholas Bourne, ; 4th Ed. Littleton and Basil S. *Accounting Evolution to Billingsley*, ; 2nd Ed. Edey, and Hugh W. *Accounting in England and Scotland*:

Chapter 5 : Accounting with Edgar: Origin of "Debit" & "Credit"

Robert Manning, author of Credit Card Nation, said debit card usage picked up in the '80s and '90s as more and more ATMs started cropping up across the country. In , debit cards were used in.

A Detailed History of Debit Cards by Eric Tilden ; Updated November 08, Debit cards are a new method to transact cash between a buyer and a seller of goods or services. They replace the interest-bearing debt created by using credit cards and restrict the user to the actual amount of money contained in his account. When the card is used like an ATM card, or for online purchases, some banks and credit unions charge fees. Debit Card Beginnings The First National Bank of Seattle issued the first debit card to business executives with large savings accounts in . These cards acted like a check signature or a guarantee card, where the bank promised the funds would cover the transaction without the customer needing a check to complete the transaction. The bank only issued debit cards to those customers who had a long history with the bank and were in good standing, because like a check, the funds were not immediately removed from the account. In , Landmark implemented the first nationwide debiting system , built on the credit card infrastructure and ATM networks already in place. By , debit cards outnumbered check usage around the world. Its preference over checks continues to grow every year. How Debit Cards Function Although debit cards look like credit cards, they do not function like credit cards. If the funds are not available, the debit card cannot complete the transaction. Unlike a check, the money does not float until the bank completes the funds transfer. Video of the Day Brought to you by Sapling Brought to you by Sapling Types of Debit Cards Debit cards began as a convenient method to exchange money for goods or services in the late s and early s, over writing checks. There are several types of debit card available. One type of debit card is a tangible card that resembles a credit card. Historically, banks and credit unions only have issued these cards. Retailers now issue prepaid debit cards in specific amounts, similar to gift cards, imprinted with Visa or MasterCard. These debit cards, unlike gift cards, can be used anywhere. Debit Card Benefits The main benefit of debit cards is that it relieves the user from carrying around a checkbook to every store and taking the time to write a check. Other benefits include ease of travel. Debit cards erase that requirement. Using a debit card does not require the buyer to show personal identification in order to complete a transaction, unlike credit cards or checks. Disadvantages Associated With Debit Cards The main disadvantage to using a debit card is that if funds are not available in the checking account, the transaction will not occur. In emergencies where large sums of cash are needed, like after an automobile accident, if the funds are not in the account, the mechanic will not release the vehicle. Many stores treat returns made from debit card purchases like check purchases. Rather than receive cash, the retailer may issue in-store credit. Another disadvantage to debit cards is the possibility of overdrawing the account. Debit cards require the user to remember how much money is available in the account, where a properly maintained check register reveals the available balance.

Chapter 6 : The history of credit cards (timeline & major events) - www.nxgvision.com

This animated video will help you understand the history and definitions of the terms Debit and Credit as they are used in Accounting. www.nxgvision.com

Accounting Double-entry bookkeeping was pioneered in the Jewish community of the early-medieval Middle East. It has been hypothesized that Italian merchants likely learned the method from their interaction with medieval Jewish merchants from the Middle East, however this question remains an area for further research. The Messari accounts contain debits and credits journalised in a bilateral form, and include balances carried forward from the preceding year, and therefore enjoy general recognition as a double-entry system. However, the double-entry accounting method was said to be developed independently earlier in Korea during the Goryeo dynasty " when Kaesong was a center of trade and industry at that time. The Four-element bookkeeping system was said to be originated in the 11th or 12th century. These entries may occur in asset, liability, equity, expense, or revenue accounts. Recording of a debit amount to one or more accounts and an equal credit amount to one or more accounts results in total debits being equal to total credits for all accounts in the general ledger. If the accounting entries are recorded without error, the aggregate balance of all accounts having Debit balances will be equal to the aggregate balance of all accounts having Credit balances. Accounting entries that debit and credit related accounts typically include the same date and identifying code in both accounts, so that in case of error, each debit and credit can be traced back to a journal and transaction source document, thus preserving an audit trail. The accounting entries are recorded in the "Books of Accounts". Regardless of which accounts and how many are impacted by a given transaction, the fundamental accounting equation of assets equal liabilities plus capital will hold. Approaches[edit] There are two different ways to memorize the effects of debits and credits on accounts in the double entry system of bookkeeping. Irrespective of the approach used, the effect on the books of accounts remains the same, with two aspects debit and credit in each of the transactions. Traditional approach[edit] Following the Traditional Approach also called the British Approach accounts are classified as real, personal, and nominal accounts. Personal accounts are accounts relating to persons or organisations with whom the business has transactions and will mainly consist of accounts of debtors and creditors. Nominal accounts are revenue, expenses, gains, and losses. Transactions are entered in the books of accounts by applying the following golden rules of accounting: Debit what comes in and credit what goes out. Debit the receiver and credit the giver. Under this approach transactions are recorded based on the accounting equation, i. The rules of debit and credit depend on the nature of an account. For the purpose of the accounting equation approach, all the accounts are classified into the following five types: If there is an increase or decrease in a set of accounts, there will be equal decrease or increase in another set of accounts. Accordingly, the following rules of debit and credit hold for the various categories of accounts: Revenues or Incomes Accounts: Expenses or Losses Accounts: These five rules help learning about accounting entries and also are comparable with traditional British accounting rules. Books of accounts[edit] This section does not cite any sources. Please help improve this section by adding citations to reliable sources. Unsourced material may be challenged and removed. October Learn how and when to remove this template message Each financial transaction is recorded in at least two different nominal ledger accounts within the financial accounting system, so that the total debits equals the total credits in the general ledger, i. This is a partial check that each and every transaction has been correctly recorded. The transaction is recorded as a "debit entry" Dr in one account, and a "credit entry" Cr in a second account. The debit entry will be recorded on the debit side left-hand side of a general ledger account, and the credit entry will be recorded on the credit side right-hand side of a general ledger account. If the total of the entries on the debit side of one account is greater than the total on the credit side of the same nominal account, that account is said to have a debit balance. Double entry is used only in nominal ledgers. It is not used in daybooks journals , which normally do not form part of the nominal ledger system. The information from the daybooks will be used in the nominal ledger and it is the nominal ledgers that will ensure the integrity of the resulting financial information created from the daybooks provided that the information recorded in the daybooks is correct. The

reason for this is to limit the number of entries in the nominal ledger: If there are only a relatively small number of transactions it may be simpler instead to treat the daybooks as an integral part of the nominal ledger and thus of the double-entry system. However, as can be seen from the examples of daybooks shown below, it is still necessary to check, within each daybook, that the postings from the daybook balance. The double entry system uses nominal ledger accounts. From these nominal ledger accounts a trial balance can be created. The trial balance lists all the nominal ledger account balances. The list is split into two columns, with debit balances placed in the left hand column and credit balances placed in the right hand column. Another column will contain the name of the nominal ledger account describing what each value is for. The total of the debit column must equal the total of the credit column. Debits and credits[edit] This section does not cite any sources. October Double-entry bookkeeping is governed by the accounting equation. If revenue equals expenses, the following basic equation must be true: These changes are made by debits and credits to the accounts. Note that the usage of these terms in accounting is not identical to their everyday usage. Whether one uses a debit or credit to increase or decrease an account depends on the normal balance of the account. Assets, Expenses, and Drawings accounts on the left side of the equation have a normal balance of debit. Liability, Revenue, and Capital accounts on the right side of the equation have a normal balance of credit. On a general ledger , debits are recorded on the left side and credits on the right side for each account. Since the accounts must always balance, for each transaction there will be a debit made to one or several accounts and a credit made to one or several accounts. After a series of transactions, therefore, the sum of all the accounts with a debit balance will equal the sum of all the accounts with a credit balance. Debits and credits are numbers recorded as follows: Debits are recorded on the left side of a T account in a ledger. Debits increase balances in asset accounts and expense accounts and decrease balances in liability accounts, revenue accounts, and capital accounts. Credits are recorded on the right side of a T account in a ledger. Credits increase balances in liability accounts, revenue accounts, and capital accounts, and decrease balances in asset accounts and expense accounts. Debit accounts are asset and expense accounts that usually have debit balances, i. Credit accounts are revenue income, gains accounts and liability accounts that usually have credit balances.

Chapter 7 : Where's the "Debit" in Debit?

It was in this environment that Western debit and credit bookkeeping was introduced to China. INTRODUCTION OF DEBITCREDIT BOOKKEEPING TO CHINA As one of the most important historical events in modern Chinese history, the First Opium War of changed the course of Chinese life and had a considerable impact on the development of Chinese.

NonProfi What Is Accounting? What Are Debits and Credits? Do debits and credits confuse you? Does the subject of accounting scramble your synapses or lapse you into a coma? Accounting is a language as much as it is a quantitative discipline. It is often referred to as the language of business, having a grammar and syntax all of its own. Once you understand the syntax—the rules of the language—it will make sense to you. A short history of its evolutionary history may assist you in understanding this unique language. In the early Renaissance in Venice, Italy, subsequent to trade opening with the Far East, bankers and merchants needed a system to keep track of monetary transactions: The tracking required two components: In , a monk Luca Pacioli codified this system of accounting for monetary transactions in the first book on accounting, outlining its syntax, or grammatical rules, the basis of the double entry method of accounting still in use today. Of course, these two components—the total amount of what has been entrusted to or owed by one, and the total amount of who loaned or entrusted the what—should always be equal. These monetary transactions were recorded in statements, or accounts. Accounts were established for the major kinds of whats and whos. But what are debits and credits, and how did they evolve to such significance in accounting? In accounting the words debit and credit refer to the opposite sides of an account: The term debit comes from the Latin debitum which means "that which is owing" the past participle of debere "to owe". Conversely, to reflect a decrease in what we have, we credit an asset account; to reflect a decrease in the source of or the where we received what we have, we debit an equity account. Note that neither of these two terms—debit or credit—mean an increase or a decrease per se. Debit simply refers to the left side of an account; credit to its right side. When we recognize an asset, we post an entry to the left side of the appropriate account; when we recognize an equity transaction, we post an entry to the right side of the account. Both entries represent increases in their respective accounts. Of course, there are different kinds of assets and equities. Equities are categorized into two basic types: We provide resources as owners in two principal ways: Contributed Capital; and Retained Earnings. Consequently, we can rewrite our basic accounting equation as follows: Remembering that all increases in sources of assets are reflected as credits in bookkeeping, all incoming revenues are posted to accounts as credits. Conversely, recalling that all decreases in sources of assets are reflected as debits in bookkeeping, all expenditures of money are posted to accounts as debits. Since the activity of our business is the main reason why we have a bookkeeping system in the first place, Retained Earnings, as a separate account in our bookkeeping system, is further decomposed into sets of accounts: Since our basic accounting equation is at a specific point in time—for example, as of December 31, —the above equation may be written to reflect the change in Retained Earnings for the most recent year assume

Chapter 8 : The Rise and Fall of Debit-Credit Bookkeeping in China: History and Analysis

I was curious about where and how the terms debit and credit come about. I finally come across a brief explanation of the terms. The words have Latin origins ie. "debitum" and "creditum".

Credit Card Basics , Credit Cards NerdWallet adheres to strict standards of editorial integrity to help you make decisions with confidence. Some of the products we feature are from partners. We adhere to strict standards of editorial integrity. Some of the products we feature are from our partners. As the first major multipurpose charge card issuer, Diners Club gained widespread acceptance among merchants and paved the way for other issuers. Evans and Richard Schmalensee. These cards were accepted only by the merchants that issued them, similar to modern-day store cards. With its cardboard credit cards, Diners Club aimed for mass acceptance. By its first anniversary, Diners Club had attracted 42, members and a few competitors. The Diners Club and other cards were only accepted at restaurants and travel and entertainment outlets. It also allowed some customers to revolve balances, a novelty at the time, according to Evans and Schmalensee. Bank of America introduced the card with an unforgettable "and incredibly expensive" publicity stunt: What the first credit cards were like Card networks spur growth In , BankAmericard began licensing its cards to banks in other states to scale its business. This allowed out-of-state banks to issue cards that were accepted by merchants that took BankAmericard. In the same year, a separate group of California banks started the Interbank Card Association, working together to manage issuer-merchant transactions. In time, these organizations evolved into two nationwide networks. They now effectively act as middlemen between issuers and merchants, ensuring transactions are legitimate before they get through and working with the merchant banks to complete transactions: The bank has since revived the BankAmericard name for its credit cards. But as merchant acceptance for both networks became ubiquitous, issuers began adding new perks to their cards to compete. In , Sears introduced the Discover card, which offered consumers a small rebate on all their purchases, making it one of the first cash-back cards in the U. Other problems became apparent. Many cardholders were dogged by fraudulent charges on their accounts, for example. Credit card disclosures remained minimal. Lawmakers stepped in, but not quickly. Better disclosures were required. As the credit card industry rapidly evolved, many of these laws were amended to keep pace with current practices. Mobile payments and beyond Today, credit cards are becoming more about credit and less about cards. Many more are using credit cards to make purchases online, without ever dipping or swiping their cards. Did McNamara see this coming?

Chapter 9 : A short history of the debit card

The history of credit cards By Jay MacDonald and Taylor Tompkins | Published: July 11, To fully appreciate the modern convenience of the credit card, simply insert your chip card, pause while it processes, and consider what it replaced.

Decrease Increase The complete system is very easy to remember if you focus on Assets, Expenses, Costs, Dividends highlighted in chart. All those account types increase with debits or left side entries. Conversely, a decrease to any of those accounts is a credit or right side entry. On the other hand, increases in revenue, liability or equity accounts are credits or right side entries, and decreases are left side entries or debits. Debits and credits occur simultaneously in every financial transaction in double-entry bookkeeping. For example, if a company provides a service to a customer who does not pay immediately, the company records an increase in assets, Accounts Receivable with a debit entry, and an increase in Revenue, with a credit entry. When the company receives the cash from the customer, two accounts again change on the company side, the cash account is debited increased and the Accounts Receivable account is now decreased credited. When the cash is deposited to the bank account, two things also change, on the bank side: Note that, technically, the deposit is not a decrease in the cash asset of the company and should not be recorded as such. To make it more clear, the bank views the transaction from a different perspective but follows the same rules: In summary, debits are simply transaction entries on the left-hand side of ledger accounts, and credits are entries on the right-hand side. This section does not cite any sources. Please help improve this section by adding citations to reliable sources. Unsourced material may be challenged and removed. October Learn how and when to remove this template message When setting up the accounting for a new business, a number of accounts are established to record all business transactions that are expected to occur. Typical accounts that relate to almost every business are: Each account can be broken down further, to provide additional detail as necessary. Accounts Receivable can be broken down to show each customer that owes the company money. In simplistic terms, if Bob, Dave, and Roger owe the company money, the Accounts Receivable account will contain a separate account for Bob, and Dave and Roger. All 3 of these accounts would be added together and shown as a single number i. All accounts for a company are grouped together and summarized on the balance sheet in 3 sections which are: Assets, Liabilities and Equity. All accounts must first be classified as one of the five types of accounts accounting elements asset , liability , equity , income and expense. To determine how to classify an account into one of the five elements, the definitions of the five account types must be fully understood. The definition of an asset according to IFRS is as follows, "An asset is a resource controlled by the entity as a result of past events from which future economic benefits are expected to flow to the entity". Liabilities, conversely, would include items that are obligations of the company i. The Equity section of the balance sheet typically shows the value of any outstanding shares that have been issued by the company as well as its earnings. All Income and expense accounts are summarize in the Equity Section in one line on the balance sheet called called Retained Earnings. This account, in general, reflects the cumulative profit retained earnings or loss retained deficit of the company. It breaks-out all the Income and expense accounts that were summarized in Retained Earnings. The Profit and Loss report is important in that it shows the detail of sales, cost of sales, expenses and ultimately the profit of the company. Most companies rely heavily on the profit and loss report and review it regularly to enable strategic decision making. October Learn how and when to remove this template message The words debit and credit can sometimes be confusing because they depend on the point of view from which a transaction is observed. Conversely, decreases in assets are recorded on the right-hand side of asset accounts, and decreases in liabilities and equities are recorded on the left-hand side". For example, when two companies transact with one another say Company A buys something from Company B then Company A will record a decrease in cash a Credit , and Company B will record an increase in cash a Debit. The same transaction is recorded from two different perspectives. This use of the terms can be counter-intuitive to people unfamiliar with bookkeeping concepts, who may always view a credit as an increase and a debit as a decrease. This is because most people typically only see bank accounts and billing statements e. At the same time, the bank adds the money to its own cash holdings account. Since the latter

account is an Asset, the increase is a debit. But the customer typically does not see this side of the transaction. Credits actually decrease Assets the utility is now owed less money. If the credit is due to a bill payment, then the utility will add the money to its own cash account, which is a debit because the account is another Asset. The simplest most effective way to understand Debits and Credits is by actually recording them as positive and negative numbers directly on the balance sheet. The next step would be to balance that transaction with the opposite sign so that your balance sheet adds to zero. The way of doing these placements are simply a matter of understanding where the money came from and where it goes in the specific account types like Liability and net assets account. If everything is viewed in terms of the balance sheet, at a very high level, then picking the accounts to make you balance sheet add to zero is the picture. At the end of any financial period say at the end of the quarter or the year , the net debit or credit amount is referred to as the accounts balance. If the sum of the debit side is greater than the sum of the credit side, then the account has a "debit balance". If the sum of the credit side is greater, then the account has a "credit balance". If debits and credits equal each, then we have a "zero balance". Accounts with a net Debit balance are generally shown as Assets, while accounts with a net Credit balance are generally shown as Liabilities. The equity section and retained earnings account, basically reference your profit or loss. Therefore that account can be positive or negative depending on if you made money. When you add Assets, Liabilities and Equity together using positive numbers to represent Debits and negative numbers to represent Credits the sum should be Zero. Debit cards and credit cards[edit] Debit cards and credit cards are creative terms used by the banking industry to market and identify each card. A credit card is used to make a purchase by borrowing money. General ledgers[edit] General ledger is the term for the comprehensive collection of T-accounts it is so called because there was a pre-printed vertical line in the middle of each ledger page and a horizontal line at the top of each ledger page, like a large letter T. Before the advent of computerised accounting, manual accounting procedure used a book known as a ledger for each T-account. The collection of all these books was called the general ledger. The chart of accounts is the table of contents of the general ledger. Totaling of all debits and credits in the general ledger at the end of a financial period is known as trial balance. These daybooks are not part of the double-entry bookkeeping system. The information recorded in these daybooks is then transferred to the general ledgers. Modern computer software now allows for the instant update of each ledger account "€" for example, when recording a cash receipt in a cash receipts journal a debit is posted to a cash ledger account with a corresponding credit in the ledger account for which the cash was received. Not every single transaction need be entered into a T-account. Usually only the sum of the book transactions a batch total for the day is entered in the general ledger. The five accounting elements[edit] There are five fundamental elements [12] within accounting. These elements are as follows: The five accounting elements are all affected in either a positive or negative way. A credit transaction does not always dictate a positive value or increase in a transaction and similarly, a debit does not always indicate a negative value or decrease in a transaction. When an asset e.