



Accounting for Managers: UNIT-I

Financial Accounting – Double Entry System

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Course: 23BBT605

Applying Design Thinking to Understand Accounting Fundamentals

Learning Journey Ahead

01

Design Thinking Foundation

Exploring how design thinking transforms accounting education

02

Double Entry Mastery

Understanding the cornerstone of modern accounting systems

03

Empathize & Define

Identifying real-world accounting challenges managers face

04

Ideate & Prototype

Live examples demonstrating double entry in business scenarios

05

Key Insights

Takeaways and essential references for continued learning

Empathize & Define: The Manager's Dilemma

Empathize

Picture Sarah, a small business owner drowning in receipts and invoices. She knows money comes in and goes out, but can't track where or why. Poor financial visibility leads to cash flow crises and missed opportunities.

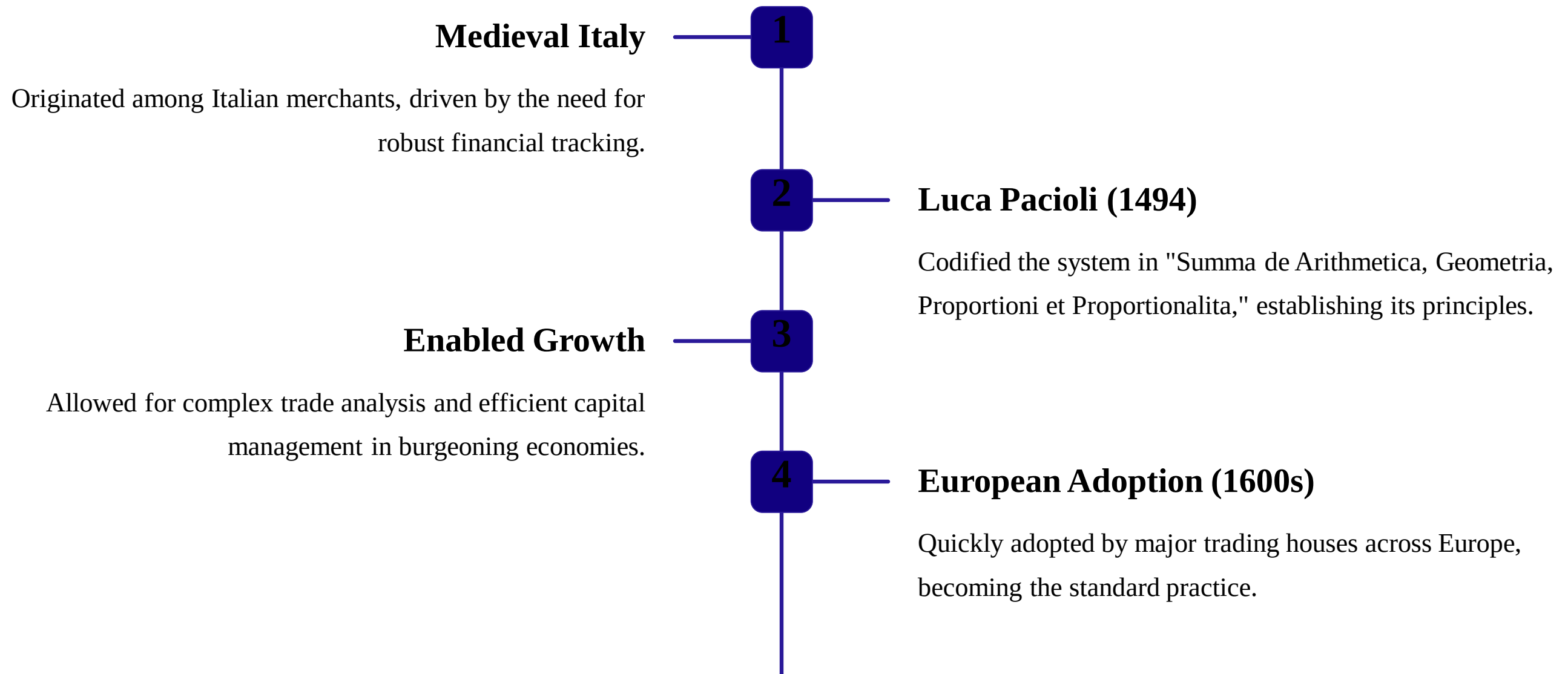
Define the Problem

The core challenge: **lack of a systematic method** to record, organize, and analyze financial transactions. Without structure, businesses operate blindly.

Design Thinking Insight: Understanding user pain points drives innovation. Managers need clarity, accuracy, and confidence in their financial data to make informed decisions.



A Brief History: From Merchants to Modern Finance



The Core Principle: Every Transaction Has Two Sides

The fundamental concept of double-entry accounting is that every financial transaction affects at least two accounts.

1

Debit

Represents an increase in assets or expenses, or a decrease in liabilities, equity, or revenue.

2

Credit

Represents an increase in liabilities, equity, or revenue, or a decrease in assets or expenses.

For every transaction, the total debits must always equal the total credits, ensuring the accounting equation remains perfectly balanced.

The Accounting Equation: $A = L + E$

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Assets

- What a company owns
- Cash, Accounts Receivable, Inventory
- Buildings, Equipment, Vehicles

Liabilities

- What a company owes
- Accounts Payable, Salaries Payable
- Loans Payable, Deferred Revenue

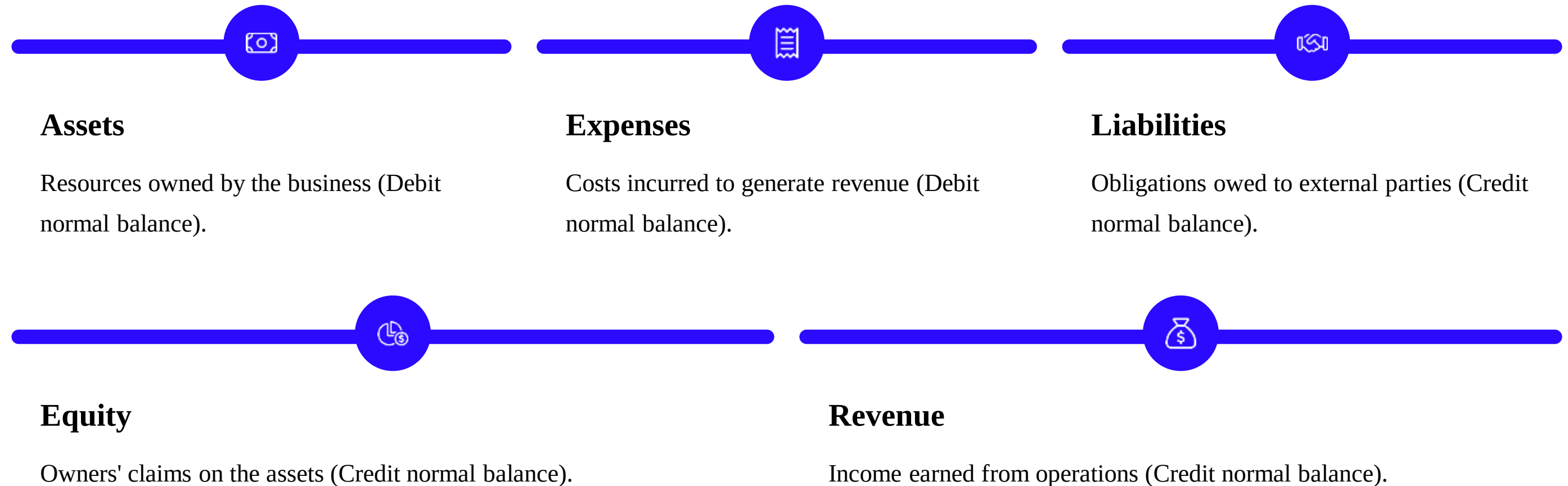
Equity

- Owners' stake in the company
- Common Stock, Retained Earnings
- Capital Contributions

The double-entry system meticulously maintains this equilibrium with every single financial transaction, providing a clear picture of the company's financial health.

Understanding Account Types and Their Balances

Accounts are categorized into five main types, each with a "normal balance" that indicates how it typically increases.



The Mechanics: Debit and Credit Rules

To Increase an Account

Assets: Debit

Expenses: Debit

Liabilities: Credit

Equity: Credit

Revenue: Credit

To Decrease an Account

Assets: Credit

Expenses: Credit

Liabilities: Debit

Equity: Debit

Revenue: Debit



Ideate & Prototype: Double Entry in Action

Every transaction tells a story with two sides - the dual aspect principle ensures perfect balance.



Debit Side

What comes in or increases (assets, expenses)



Credit Side

What goes out or decreases (liabilities, income)

Live Example: Office Supplies Purchase

Transaction: Buying office supplies for \$500 cash

- Debit: Office Supplies Expense \$500 (expense increases)
- Credit: Cash \$500 (asset decreases)

Prototype Approach: Using T-accounts and journal entries to visualize transaction impacts, then iterating to ensure accuracy and understanding.

Key Takeaways & Moving Forward

Design Thinking Enhancement

Focusing on user needs and iterative learning makes complex accounting concepts accessible to managers.

Double Entry Foundation

Ensures **accuracy, transparency, and financial control** - essential for business success.

Practical Application

Empathy and prototyping transform abstract accounting principles into manageable business tools.

Essential References

- Huber, M. M. (2024). *The Finance Function's Path to Innovation: A Design Thinking Perspective*. IMA.
- HBS Online (2022). *5 Examples of Design Thinking in Business*.
- ClientHub (2025). *Modern Accounting Strategies with Design Thinking*.
- RMIT Online (2022). *What is Design Thinking?*

Thank You!

Questions and discussions welcome