USING THE SCHRADER-MALCOM-WILLINGHAM MODEL TO EXPLAIN JOURNAL ENTRIES

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To buy, sell, borrow, lend, or invest, an entity must engage in transactions.

Transactions are reciprocal, e.g., an entity can buy only if another entity sells.

In each transaction, an entity receives something and gives something.
<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>RECORDED AS</th>
<th>RECEIVED/GIVEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset</td>
<td>Dr</td>
<td>Received</td>
</tr>
<tr>
<td>Equity [Liab+OE]</td>
<td>Cr</td>
<td>Given</td>
</tr>
<tr>
<td>Revenue</td>
<td>Cr</td>
<td>Given</td>
</tr>
<tr>
<td>Expense</td>
<td>Dr</td>
<td>Received</td>
</tr>
</tbody>
</table>

**NOTE:**
The following panels explain the effects of basic transactions on the accounts of Entity X.
ASSET: Received
Purchase a Machine

Machine

\[ X \]
\[ \text{SELLER} \]

Machine $\rightarrow$ Cash

Cash $\rightarrow$ Machine

$
EQUITY [Liab]: Given
Borrow Cash

$ X $ BANK

Promise
* Pay Back Amount
* Pay Interest

Cash $ Note Payable $
EQUITY [OE]: Given

Receive Cash from Owner

X

Promise
* Pay Back Amount
* Pay Net Income or Net Loss

Cash
Capital
REVENUE: Given
Sell a Dog

![Diagram]

Cash $ $ 
Dog [Dog Sales] $ $ 

Cash cannot be Revenue 
Cash is cash, an asset 
Revenue must be the other item in the transaction, the Dog
EXPENSE: Received
Pay Employee [EE]

Services

$ X 

$ EE

Salary Expense $ 
Cash $ 

Cash cannot be Expense 
Cash is cash, an asset

Expense must be the other item in the transaction, Services
EXPENSE = Goods and services received and used up in creating Revenue

REVENUE = Goods and services delivered to customers

INPUTS  \( \times \)  OUTPUTS
Per the analysis above
Recording a transaction reduces to:

\[ \text{Dr} \rightarrow X \rightarrow \text{Cr} \]

Any item received is recorded as a Debit.
Any item given is recorded as a Credit.

To record any transaction, then, identify:
* the consideration received [Dr], and
* the consideration given [Cr].
REFERENCES

