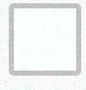
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What is debit note and credit note in tamil

Having a solid control over your company's financials is an important part of running a business. This includes managing not only the company's cash on hand but also its debt. While there are several ways to do this, one of the more effective is to use a system of debit and credit accounting. Do you understand the meaning of debit and credit, though? More importantly, do you understand the differences between these two terms in reference to your business and how they are different than what you're used to as a consumer? If you are a little fuzzy on the differences between credit and debit, you're not alone. That said, the more you understand about credits and debits, the better grasp you'll have on how your business spends its money. If you want to truly get a handle on your company's financials but find yourself unsure in this area, the best place to start learning is with the definition of debit and credit. Debits are transactions that your business makes which cost money. This may sound simple, but it's a more complex topic than some realize. There are multiple types of debits in the business world, and getting them confused can mess up your books if you aren't careful. Fortunately, there is an easy way to remember the most common types of debits, so you don't run into this problem. If you have trouble keeping track of what a debit is, think of the word DEAL. You can use this to remember that all debits are Draws, Expenses, Assets or Losses. In this case, "draws" are cash withdrawals or any other unaccounted-for cash that goes out of your business. "Expenses" are operating expenses, including costs such as utilities and payroll. "Assets" refers to money that's spent on the acquisition of physical assets, equipment or real estate. "Losses" are just what they sound like, investments that go south or other situations that cause the company to lose money. Essentially, any money going out of your company is a debit. If you want to make sure, though, you can use this mnemonic to check. You can easily remember that the money drawn out of petty cash is a debit, as is the money spent on a new printer, new office space or the acquisition of other assets. Payroll, taxes and other business expenses also qualify as debits, as does the money lost when a big business investment falls through. So if debits are the money going out of your business, what does that make credits? As a consumer, you may think of credit as a secured or unsecured line of debt that you borrow against; these are most commonly seen in credit cards and other lines of credit. The credit definition in accounting is different, however. When you're talking about your company's financials, a credit is a good thing; it's the money that comes into your company, similar to how a debit is the money that goes out of your company. As with the definition of debit, there is a helpful mnemonic to keep track of what constitutes a credit in the business world: GIRLS. The G stands for "gains," which represent increases in the company's share price. The I stands for "income," which is money that comes into your company not counted as a gain or revenue. This also means that R stands for "revenue," which is money earned through sales or services. The L is for "liabilities" which is income derived from a loan or other debt from an outside source. The S is for "shareholder equity," which is the money that shareholders have put into the company through investment. Just as debits are all the money going out of your business, credits are all the money coming in. If you're not sure, apply your mnemonic and see if the money meets one of the categories of a credit. Income from new product sales? Check. A new loan to cover your business expansion? Check. Is there increased shareholder investment that leads to an increase in your overall share price? That's a check in two different categories. So now that you've figured out what debits and credits are, what should your business use them for? The use of debit versus credit recording is part of the technique known as double-entry accounting. By splitting incoming funds from outgoing funds, it's easier to understand what's going on in your accounting ledger. Debits are recorded in a single column on the ledger sheet, while credits are listed in a separate column beside the debit column. This two-column structure lets you see at a glance when money is going out of your company and when it is coming in. Within the double-entry system, each transaction is listed separately on its own line. If the transaction represents a debit, the amount of the transaction is written in the debit column for that line. If it represents a credit, the amount of the transaction is written in the credit column. No entry should have something written in both columns; if a transaction would somehow result in both a debit and a credit, the two aspects of the transaction should be written on separate lines so that the debit and the credit are recorded on their own. The totals of the credits and the debits in your ledger are calculated separately. This not only helps you avoid mathematical errors that could occur when trying to combine individual credits and debits into a single total, but it also makes it easy to see how much money in total is going in and coming out. Once you have the totals for your debits and credits calculated, calculate your company's total equity by subtracting the debit total from your credit total. If you have more debits than credits, you'll wind up with negative equity that requires additional funds to cover; this may mean the liquidation of some assets, taking on additional debt or drawing funds from savings or other company investments. If you have more credits than debits, however, then you have extra funds to use for expansions, funding the purchase of new assets or making new investments into your company's future. One thing that's important to learn about when dealing with the topic of business debits and credits is the credit note. You can think of this as something of a reverse invoice. The credit note is given to your business by a vendor or someone in a similar position when they issue you a credit. This may be a result of damaged merchandise that has to be returned to the supplier or an unsatisfactory service call, but these are only examples of times when a credit note could be issued. The credit note itself is a receipt, identifying the reason that the credit is being issued and who authorized the credit. The credits associated with credit notes often come in the form of "store credit" or similar credit structures, giving your business a set amount of prepaid credit with the vendor or service provider on your next order or call. The credit note serves as documentation of this prepaid amount and is used by your accounting department to note the transaction as a credit in your ledger. Once you place an order, make a service call or otherwise use the credit, a debit is recorded in your ledger to signify the transaction that uses up the credit referenced in the note. It is worth noting that debit notes also exist, and act in the opposite manner of credit notes. If a business issues you a debit note then it is in reference to a return or service problem that they had with your company. To honor the debit note you have to either process a return refund or issue prepaid credit for the amount of the note. Of course, in a situation where someone is unhappy with an item or service provided by your company it is more likely that you would provide a credit note instead of that individual drafting a debit note. As a result, credit notes are much more common and more likely to be used in the course of your business dealings. The concept of credits, in relation to debits, is an important one for business accounting. Unfortunately, it sometimes leads to a bit of confusion for those who aren't familiar with double-entry accounting. Because of the different meanings associated with the word "credit," it's important to address the topic of credit lines and other forms of credit extended to businesses as well. Not only does this provide you with the information you need if asked to distinguish between the two, but liabilities are also still considered a credit in double-entry accounting. Business credit cards and lines of credit are similar to what you're familiar with on the consumer side of things, but they are issued to the business itself instead of an individual. If your business is relatively new, you may need to provide personal information and submit to a credit check to secure business credit since most lenders aren't willing to issue credit to a business that has no real history. In this case, they use the owner's creditworthiness as a way to establish credit. This creates personal liability for you, but sometimes that can't be avoided. As your business becomes more established and does business with one or more banks, it will build its creditworthiness. At that point, you can apply for corporate credit cards, and other credit products issued based solely on the business reputation and its assets. It is essential that these credit products are recorded as credits in your ledger, even though they represent debt in actuality. They are an expansion on your company's purchasing power and therefore are viewed by your accounting ledger as being the same as cash in the same amount. Purchases made with the credit products are still recorded as debits, of course, and the reduction in your available credit is recorded in the ledger by the fact that the debit reduced your total available equity (which included the amount of your credit line when you added that amount as a credit.) Monthly payments on your credit lines will be added as expenses when the bills come in, reducing equity further as you make payments on them. Note that you don't add the payment back into equity after it is processed even though your available credit has expanded. Even though you have more credit available, you still have less cash on hand because you had to make the payment in the first place. This keeps your equity balanced as you repay your credit lines since each payment will require actual cash on hand. You won't add credit lines back in as a ledger credit unless your company opens a new line. If you have trouble keeping your credits and debits straight, don't despair. Lots of people confuse the two. Depending on the context, sometimes they almost mean the same thing. Debit cards, credit cards, credit accounts, debit accounts--so many possibilities--what's a person to do? In generalized basic accounting terms, credit is money you receive and debit is money you pay. When you put money in your account, it's a credit. When you take money out, it's a debit. Here are some tips to help you remember which is which. Listen to the sound of the word. Debit sounds like debt, something you have to pay. Associate the word debit with a debit card. Debit cards always take money out of your account. Think about how the word makes you feel. Credit is a good thing. In sports, think of "who got credit for the winning score?" Associate the first letter of the word debit with another word that has the same first letter. Debit starts with D, which stands for "Decrease" and "Deduct from your account." Associate the first letter of the word credit with another word that has the same first letter. Credit starts with C, which stands for "Come to me" and "Cultivate (grow) your money." Tips Try to come up with your own memory association trick. See "Additional Resources" below for more tips and help on increasing your credits and decreasing your debits. Warnings Entering Credits in the Debits column—and vice versa—will create enormous accounting nightmares. Billing customers and clients aren't always smooth. If an invoice turns out to be too high or too low, a company can issue a debit or credit memorandum to correct it. Banks use memos to make adjustments to business checking accounts. The company on the receiving end of a memo can use it to track how much to adjust its account books. Suppose you call in a plumber to your business and set them to work on the bathrooms. The plumber writes up an invoice, but there's a miscalculation. The company can issue a debit memorandum if they under-billed you or a credit memo if they over-billed. It can also issue an amended invoice stating the correct total. The memo should explain why the invoice has to be adjusted. For example, a credit memo from a vendor might state that your bill has been adjusted because you returned some of the supplies you ordered. If you've already paid before you receive the credit memo, you can ask for a cash payment or use it for a discount on the next order. If you haven't paid the bill yet, you record the memo by adjusting your accounts payable. The seller likewise records it as an adjustment to accounts receivable. Banks use credit and debit memos too, as items on business bank statements. You may spot a debit memo if the bank has to debit your account for fees such as insufficient funds, service charges or the cost of printing checks. You might get a credit memo for interest earned on the account. You have to include the amounts from debit and credit memos in your financial records. You do this whenever you reconcile your books to your bank statement. On your balance sheet, a memo will increase or shrink your cash account, as well as affecting others such as miscellaneous expenses or interest earned, depending on whether the account grows or shrinks. Sometimes a debit or credit memo is useful for your own internal operations. Companies issue credit and debit memos when they're clearing up a small balance in an account. Suppose your customer overpaid $5 on his last order. You send him a refund, then you adjust your accounts to reflect the $5 loss. A memo authorizes your accountants to make the change to his account. Disclosure: Team Clark is adamant that we will never write content influenced by or paid for by an advertiser. To support our work, we do make money from some links to companies and deals on our site. Learn more about our guarantee here. Whether you have a debit card, a credit card or both, you can get yourself into some serious financial trouble without a good understanding of how each one works and the differences between the two. The two cards may seem pretty similar — both plastic, both have your name and a bunch of numbers, and both can be used almost anywhere — but that's about as far as the similarities go. In fact, debit and credit cards are two very different things. It's crucial that you understand how each card works, so you can make the best decisions regarding how and when to use each one. Although you may already know some things, there are a lot of lesser-known perks and dangers that come with both debit and credit cards. This guide takes you through the basics of how each card works, the pros and cons, and a few other things you need to know in order to control and protect your money! And remember, you don't have to be a financial pro — you just need to have the right information and a little common cents! Debit vs. credit: The basics A lot of people stick with a debit card as a way to control their spending and avoid racking up big credit card debt because you can't spend what you don't have with a debit card. In the aftermath of the Great Recession, this strategy became a very popular one as many people were forced to rethink their spending routine. But debit cards are full of hidden dangers — and what's confusing is that these dangers are often the same features that make them an appealing alternative to credit cards. So let's take a look at how each card works. A debit card is linked to your checking account. Any time you make a purchase, the money comes directly out of your account. Because the card is linked to your checking account, you can only spend whatever money you have in your account. When you swipe a credit card, you're spending someone else's money — money the bank or credit card company has given you access to. And that money isn't free — when the bank agreed to lend you the money, you agreed to pay a fee for it in the form of interest. So if you charge a bunch of stuff on a credit card and pay the bill in full before it's due, you don't pay any interest — because that would mean the bank got all of its money back. When you don't pay the bill in full, meaning you start the next month with a balance on the card, you will be charged interest, which is added to the total balance. Now that you have a basic understanding of how debit and credit cards work, it's important to know the pros and cons of each. But just a heads up, even though certain features are considered pros, there may be cons that cancel them out. Pros of debit cards A debit card is linked to your bank account, so you can only spend what you have. This is what makes debit cards appealing for a lot of people, since that restriction can help you control your spending. You can use it pretty much anywhere. Since the money comes right out of your account, you know how much you have left for the month. You can get cash with a debit card — so if you need actual paper money, you can use your debit card at an ATM or to get cash back at a store. And with debit cards, you don't pay interest on the money you spend — since it's your money. Pros of credit cards You can use a credit card pretty much anywhere. A credit card can give you immediate access to money you may not have in your checking account, like if you need to cover something you can pay back with your next paycheck. Just make sure you can pay it back before the bill is due. Using a credit card for emergencies is not ideal (which is why you need emergency savings), but it can be a last resort if you're really in a bind, On the same note, a credit card also gives you flexibility. You shouldn't go crazy, but as long as you can pay off the balance in full before the due date, you won't be charged any interest, and that can give you some flexibility throughout the month and between paychecks. One of the biggest benefits of a credit card is that it can help you build credit — as long as you use it responsibly. If you pay your bills in full and on time each month, those on-time payments help improve your credit score, which can get you lower interest rates down the road on things like a car loan or mortgage. Basically, making on-time payments gets lenders to trust you more — so you always want to pay the bill in full and on time each month. Credit cards also come with rewards, which vary based on the card. Some examples are cash back, airline miles, discounts, additional insurance coverage and more. There are tons of different rewards programs out there. Some even offer additional warranties or insurance coverage on certain purchases, like cell phones. One of the best features of credit cards is the protections they offer, which are much better than those offered on debit cards. If your credit card number is stolen, but not the physical card, "you are not responsible for unauthorized charges under federal law," according to the Consumer Financial Protection Bureau. If the actual card is stolen, you are liable for no more than $50 in authorized charges — as long as you report it to your card issuer. Some issuers won't even charge you the $50. Also, when someone makes fraudulent charges on your credit card, no money actually leaves your hands. So while you get it straightened out, you aren't stuck with a huge chunk of your cash missing ' like you are when debit card fraud occurs. Cons of debit cards This is where you'll see how some of the pros of debit cards can easily become cons if you aren't careful. Debit cards can actually be riskier than carrying cash. It's not great if someone steals your cash, but since your debit card is linked to your bank account, if someone steals your card, they could get access to every cent in your bank account. Because you can only spend what's in your account, that really limits your overall spending ability. Fees: Although there typically aren't fees associated with a checking account (besides overdraft fees), there are several fees you could face with a debit card depending on how you use it. (If you are paying an annual fee for your checking account, it's time to shop for a new one!) Here are some common fees people face with debit cards: Foreign transaction fees: Many banks charge you a fee when you use your debit card to make a purchase or withdraw money abroad. ATM fees: Many banks also charge you a fee to withdraw money from an ATM that's not affiliated with your bank. Overdraft: If you overdraw your account, you'll be charged a fee. Keep in mind that specific fees will vary depending on your bank and your card. Another downside to debit cards is that they don't help you build credit, like credit cards do — and building a good credit history of on-time payments is important for your overall credit and credit score — especially when it comes time to get a big loan for something like a car or house. If you report the card as lost or stolen within two business days, you won't be responsible for more than $50 of unauthorized transactions. If someone uses your physical ATM or debit card without your permission (meaning it was stolen) and you report the fraudulent charges within 60 days after your statement is mailed to you, you could lose as much as, but no more than, $500. If someone uses your card number to make a fraudulent charge, but your card or PIN has not been lost or stolen, under federal law you will not be liable for the transaction if you report it within 60 days after your account statement is sent to you. If someone uses your ATM or debit card without your permission and you don't report it within 60 days after your statement is mailed to you, the potential damage is unlimited. You could lose all the money in that account, the unused portion of your maximum line of credit established for overdrafts, and even more. A lot of banks do now issue what's called a "zero-liablity" policy with some debit cards — which is meant to give you more protections. But, there are a lot of exceptions to those policies so you have to be careful and make sure you understand the details of the specific policy (which can get complicated). The biggest downside to debit cards is the lack of protections they offer for you as a consumer. Here's a closer look: Cons of credit cards If you have a hard time controlling your spending, a credit card can get you into big trouble fast. If you don't pay off the balance in full each month before the due date, that's when people start to fall behind — because when you carry a balance on the card from one month to the next, the interest charges kick in and that money is added to your overall balance. When you're only paying the required minimum each month, interest charges continues to add up — increasing the total balance even more — because keep in mind, when you only pay the required minimum payment, you still get charged interest. So as interest increases the balance each month, those minimum payments aren't really even making a dent in getting that total amount paid off. It'll take you longer to pay off the card and cost you more money over time — making the items you charged on the card a lot more expensive than what you paid for them. That's when credit card debt can quickly spiral out of control. Fees: Many credit cards come with some type of fee, or fees, so when you're choosing a card, make sure to look for one with the fewest to no fees. The best way to take advantage of the benefits of a credit card is to charge only what you know you can pay off at the end of the month. If you're just starting out and trying to get control of your spending and saving, a credit card can be dangerous — so just be honest with yourself about what you can realistically handle. Credit card interest example Here's an example to give you an idea of why paying off the balance on a credit card each month is so important! The average interest rate on credit cards right now is around 15 percent. Let's say your credit card balance is $1,000 and you can only pay the minimum payment each month — around $20 to $25. It would take you about 8 years to pay off that $1,000 — assuming you don't charge anything else on the card — and you'd also pay more than $700 extra in interest. When you carry a balance on the card from one month to the next, that's when the interest charges kick in, adding to the total balance. So the longer you keep a balance on the card, the higher it continues to get each month. When you pay the bill in full, meaning you pay off the entire balance so it's back at $0, before the due date, you won't have to pay any interest. Avoiding fraud: When to avoid using a debit card Debit and credit cards come with very different features and protections, and there are some situations when it's always better to use a credit card. There are some places where your card number and information are at a much higher risk of getting stolen, and if it's a debit card, that could mean all the money in your bank account. So when you consider the vastly different fraud protections listed above, using a credit card where fraud is more common can help you protect your money — since again, a credit card comes with much better protections. Some purchases may require an extra deposit if you use a debit card, which is a way for companies to guarantee payment in case you don't have the money in your account to cover the charge, so it's better to use a credit card in those situations. Plus, credit cards often include extra insurance coverage in certain situations, like travel cancellations. So with all that in mind, here are some places and situations when you should avoid using a debit card if possible: Pay at the pump Shopping online At the supermarket/grocery store At the car rental counter Booking advanced travel When buying furniture and major appliances When setting up automatic drafts and/or recurring bill payments Independent ATMs Restaurants Anywhere you are a new customer Small vendors like those at markets and other places you aren't familiar with If you only have a debit card, consider using cash when you can (obviously except for ATMs). And if you only have a debit card, here are some ways minimize your risks: Only use bank-affiliated ATMs. They offer a higher level of security, which means they're less likely to be compromised by scammers. Never use independent ATMs, like those at gas stations or in other less-monitored areas. When using an ATM, cover the keypad when entering your information — a criminal could be watching. Don't share your debit card PIN, don't write it on the card and don't write it down anywhere that someone could see it. Always sign for debit-card transactions when possible. If there's a "tip" field/line on a receipt that doesn't require a tip, or you aren't giving a tip, take the extra precaution of writing in $0.00 on that line and also write in the total. More ways to prevent and protect against fraud Check your accounts and statements EVERY SINGLE DAY. The quicker you recognize a fraudulent charge, the better chance you have of resolving it and getting your money back. Report any fraudulent transactions immediately. Don't pay any bill associated with fraudulent charges. Never share your banking or other personal/sensitive information via email, text or phone (unless you call the bank directly). Even if the email or text looks legitimate (showing the bank's logo etc.) it could very easily be a scam! Any time someone reaches out to you asking for personal or sensitive information, don't give it to them right away. Instead, hang up or delete the email or text, and then contact the company directly — either by phone or by visiting their legitimate website directly. RELATED: A credit freeze is the #1 best way to protect against identity theft Prepaid cards have become an increasingly popular option for people who want to control their spending without worrying about the risks associated with debit cards. Here's how it works: you load money onto the card and use it like a debit card, since you're spending your own money. But what makes prepaid cards different is that they are not associated with a bank account (like a debit card is). They're different from credit cards because there is no credit involved — you load your own money onto the card and you spend your own money. When the balance gets low, you just put more money on there. Prepaid cards are typically accepted anywhere you can use a debit card. Some will let you pay bills online, set up automatic monthly payments and even get cash out of an ATM. There are also more options now for reloading prepaid cards — transfer money from the bank, link your paycheck via direct deposit, transfer money from PayPal or reload it at a local retailer like Wal-Mart. Prepaid cards aren't tied to a bank account, so you don't risk losing all of your money in case of fraud. And because you can only spend what's available on the card, you don't risk racking up big credit card debt. One of the disadvantages of prepaid cards is that, like debit cards, they do nothing to help you build credit. Plus, prepaid cards often come with a lot of fees, so you have to be careful and make sure you do your research before choosing one. Choosing the right card for you There are a few things to consider when you're trying to decide whether you're ready for a credit card, or if you should just stick with debit or a prepaid card. If you have a credit card, you'll still have a debit card as an option if you have a bank account. So the first thing you need to figure out is whether you think you can use a credit card responsibly — and it's crucial to be honest with yourself! Consider your spending habits and behaviors. If you know you can control your spending, using a credit card can be very beneficial for your financial life. It will offer you better protections, help you build credit and earn you rewards at the same time. But the only way to make a credit card work in your favor is to use it responsibly. Only charge on the card what you know you can pay off before the due date. That way you don't risk interest charges adding up and increasing the total balance, which is when credit card debt can start to spiral out of control. If you get to a point when you can't pay the bill in full, pay as much as you can (to get the balance down) and always make sure to pay it on time. Late and missed payments can have a detrimental impact on your credit score — and for a very long time. One other thing to remember: the amount of your total available credit that you use also has a big impact on your credit score — and you never want to use more than 30% of what's available to you. Let's say you have a credit card with a $10,000 limit. If you're carrying a balance month-to-month of $3,000, you're only using 30% of the total limit. But if your credit limit is suddenly dropped to $3,000, then you're using 100% of what's available to you. That's another reason to always pay down credit card debt as quickly as possible — you always want to make sure that your credit utilization rate is 30 percent or less. Check out our Credit Reports & Credit Scores Guide for more on understanding your credit what factors impact it most. Final thought: Be honest with yourself! If you're just starting to budget and trying to get a handle on your spending and saving, a credit card may be too tempting for you. This is when you really need to think about your own personal behaviors, because getting into debt is a whole lot easier than getting out. And telling yourself that you can always pay it off later can get you into a lot more trouble than you realize — trouble that can follow you around for years, even decades. If you decide you aren't ready for a credit card, consider the different features of debit and prepaid cards. A prepaid card can help you control your spending and you avoid the risks associated with debit cards. If you're trying to develop better habits, use it as a budgeting tool. Only load onto the card the amount of money you truly need — then keep the rest of your money in savings. If you stick with a debit card, make sure to take all the precautions listed above to minimize your risk of fraud and identity theft. If you're trying to get control of your budget, try using cash or setting up separate checking/savings accounts for different areas of the budget. By keeping your money separate, you limit the potential damage if your card or card number is stolen, and it's also a good way to get you into better budgeting habits. For more on how to create, maintain and stick to a budget, see our Budgeting Guide. More tips on what you need to know about personal banking!

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