Debit & Credit

PRINTABLE CHEAT SHEET + PRACTICE WORKSHEET

The rule that unlocks everything

Debit means **left**. Credit means **right**. First identify the account type, then decide whether it increased or decreased.

ACCOUNT TYPE	INCREASE	DECREASE	NORMAL BALANCE
Assets	Debit	Credit	Debit
Expenses	Debit	Credit	Debit
Drawings / Dividends	Debit	Credit	Debit
Liabilities	Credit	Debit	Credit
Owner's Equity	Credit	Debit	Credit
Revenue	Credit	Debit	Credit

Memory shortcut

DEAL accounts increase with debits: Drawings, Expenses, Assets and Losses. Liabilities, Equity and Revenue increase with credits.

Four questions for every transaction

1. Which accounts changed?

2. What type is each account?

3. Did each account increase or decrease?

4. Which debit/credit rule applies - and do the totals balance?

Common patterns

TRANSACTION	DEBIT	CREDIT
Owner invests cash	Cash	Owner's Capital
Cash sale	Cash	Revenue
Sale on account	Accounts Receivable	Revenue
Collect a receivable	Cash	Accounts Receivable
Pay an expense	Expense	Cash
Buy asset on account	Asset	Accounts Payable
Pay a supplier	Accounts Payable	Cash
Receive a bank loan	Cash	Loan Payable

Practice 1: Classify before you post

Write the account type and the side that normally increases it.

#	ACCOUNT	ACCOUNT TYPE	INCREASE: DR OR CR?
1	Cash		
2	Accounts Payable		
3	Service Revenue		
4	Rent Expense		
5	Owner's Capital		
6	Accounts Receivable		
7	Unearned Revenue		
8	Equipment		
9	Owner's Drawings		
10	Wages Payable		

Practice 2: Build the journal entries

For each transaction, identify the accounts and enter the debit and credit amounts.

1. Owner invests $10,000 cash.

ACCOUNT	DEBIT	CREDIT

2. Business buys equipment for $2,400 cash.

ACCOUNT	DEBIT	CREDIT

3. Business earns $1,500 cash revenue.

ACCOUNT	DEBIT	CREDIT

4. Business pays $350 rent.

ACCOUNT	DEBIT	CREDIT

Practice 3: Real-world transaction challenge

Record each event. Some entries may contain more than two accounts.

1. Buy $800 of supplies on account.

ACCOUNT	DEBIT	CREDIT

2. Pay the supplier $300.

ACCOUNT	DEBIT	CREDIT

3. Complete $2,000 of work for a customer who will pay later.

ACCOUNT	DEBIT	CREDIT

4. Collect $1,200 from that customer.

ACCOUNT	DEBIT	CREDIT

5. Receive $900 in advance for work next month.

ACCOUNT	DEBIT	CREDIT

6. Pay $1,100 on a loan: $1,000 principal and $100 interest.

ACCOUNT	DEBIT	CREDIT

Balance check

If Cash begins at zero, what is its ending balance after all six transactions above? Show your calculation.

WORKING SPACE

Answer Key

Check the reasoning, not only the final debit and credit.

Practice 1

ACCOUNT	TYPE	INCREASE
Cash	Asset	Debit
Accounts Payable	Liability	Credit
Service Revenue	Revenue	Credit
Rent Expense	Expense	Debit
Owner's Capital	Equity	Credit
Accounts Receivable	Asset	Debit
Unearned Revenue	Liability	Credit
Equipment	Asset	Debit
Owner's Drawings	Drawings	Debit
Wages Payable	Liability	Credit

Practice 2

1. Dr Cash $10,000 / Cr Owner's Capital $10,000
2. Dr Equipment $2,400 / Cr Cash $2,400
3. Dr Cash $1,500 / Cr Service Revenue $1,500
4. Dr Rent Expense $350 / Cr Cash $350

Practice 3

1. Dr Supplies $800 / Cr Accounts Payable $800
2. Dr Accounts Payable $300 / Cr Cash $300
3. Dr Accounts Receivable $2,000 / Cr Service Revenue $2,000
4. Dr Cash $1,200 / Cr Accounts Receivable $1,200
5. Dr Cash $900 / Cr Unearned Revenue $900
6. Dr Loan Payable $1,000; Dr Interest Expense $100 / Cr Cash $1,100

Cash ending balance
$0 - $300 + $1,200 + $900 - $1,100 = **$700 debit**.

The supplies purchase was on account, and the sale on account did not immediately affect Cash.

Self-check

I can identify account types. [ ]
I can decide whether an account increased or decreased. [ ]
I can prepare a balanced journal entry. [ ]
I can explain why a loan is not revenue. [ ]
I can explain why collecting a receivable is not new revenue. [ ]