


Slide 1

### 3.2 Debits and Credits

- Objectives
  - Introduce debits and credits
  - Introduce the "T" account
  - Illustrate the accounting equation in a "T" account format



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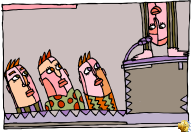
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Slide 2

### Debits and Credits

- Debits
  - Indicates left
  - Commonly abbreviated Dr.
- Credits
  - Indicates right
  - Commonly abbreviated Cr.
- Used in the recording process to indicate where entries are posted in accounts



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Slide 3

### Debits and Credits

Account Title	
LEFT OR DEBIT SIDE	RIGHT OR CREDIT SIDE
DEBIT BAL.	CREDIT BAL.



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Slide 4

### Debits and Credits and the Accounting Equation

ASSETS		=	LIABILITIES		+	OWNERS' EQUITY	
DR	CR		DR	CR		DR	CR
+	-		-	+		-	+



Revenues		Expenses	
DR	CR	DR	CR
-	+	+	-

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Slide 5

### Normal account balances

For each of the following accounts indicate whether the normal account balances is a debit or a credit

- a) Accounts payable
- b) Advertising expense
- c) Service revenue
- d) Accounts receivable
- e) Retained earnings
- f) dividends



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Slide 6

### Normal account balances solution

- a. Credit balance
- b. Debit balance
- c. Credit balance
- d. Debit balance
- e. Credit balance
- f. Debit balance



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