

Rules of Debit and Credit

Assets		=	+ Liabilities		+	Common Stock		+	Retained Earnings		-	Dividends		+	Revenue		-	Expenses	
DR	CR		DR	CR		DR	CR		DR	CR		DR	CR		DR	CR		DR	CR
INC	DEC		DEC	INC		DEC	INC		DEC	INC		INC	DEC		DEC	INC		INC	DEC
NB				NB			NB			NB			NB			NB			NB

Transaction Analysis Chart

Keywords	Point to this account title	Direction of change indicated INC or ↑ DEC or ↓	This account is type: Asset Liability Equity Revenue Expense	Apply debit (DR) or credit (CR) rule	Amount	Sketch of this part of entry as it looks in a T account

Every transaction involves at least two accounts, possibly more.

The sum of amounts to be entered on the debit side of a transaction must equal the sum of the amounts to be entered on the credit side.

1. Examine transaction and look for key words; write in 1st column of chart
2. Using key words, identify the account that is affected and enter the title in col. 2
3. Decide whether account balance will increase or decrease with this transaction (your point of view is from the business – see key word analysis).
4. Determine the account type (see list) based on the title of the account.
5. Apply the rules of debit and credit shown above to that account
6. Identify (or calculate) the amount that applies to that account in this transaction.
7. Use the last column to sketch what the T-account will look like once this account has been posted.