

DEBITS AND CREDITS

TO INCREASE AN ACCOUNT

Assets = Liabilities + Stockholders' Equity

**Debit
Dr.**

**Credit
Cr.**

TO DECREASE AN ACCOUNT

Assets = Liabilities + Stockholders' Equity

**Credit
Cr.**

**Debit
Dr.**

EXAMPLE 1

Buy equipment for \$10,000 cash

Increase the equipment asset and decrease the cash asset

Debit equipment for \$10,000 (to increase)

Credit cash for \$10,000 (to decrease)

EXAMPLE 2

Buy equipment for \$10,000 by signing a \$10,000 note payable (loan)

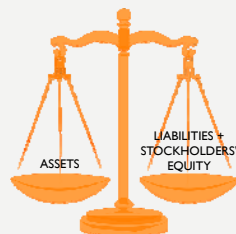
Increase the equipment asset and increase the note payable liability.

Debit equipment (to increase) for \$10,000

Credit note payable (to increase) for \$10,000

THE MAGIC OF ACCOUNTING

- Every transaction always has two parts
- One will always be a debit and one will always be a credit
- The accounting equation will always be balanced





**LET'S TRY IT
OUT!!**
