DEBITS & CREDITS QUICK REFERENCE

Financial Accounting Fundamentals • Core Transaction Rules

THE ACCOUNTING EQUATION

Assets = Liabilities + Equity

Every transaction must keep both sides balanced:
Total Debits (Σ Dr) = Total Credits (Σ Cr)

THE DEALER FRAMEWORK (NORMAL BALANCES)

D - E - A Accounts NORMAL BALANCE: DEBIT (Left)

- **Dividends / Owner Draws:** Distributions made to equity owners
- **Expenses:** Operating and financial costs incurred to generate revenues
- **Assets:** Economic resources owned or controlled (Cash, A/R, Equipment, Inventory)

L - E - R Accounts NORMAL BALANCE: CREDIT (Right)

- **Liabilities:** Obligations and debts owed to external parties (A/P, Notes, Unearned)
- **Equity / Capital:** Residual ownership interest (Common Stock, Retained Earnings)
- **Revenues:** Inflows and gross earnings earned from business operations

MASTER TRANSACTION IMPACT MATRIX

Account Category	Normal Balance	To Increase (+)	To Decrease (–)	T-Account Side
Assets	**Debit**	**Debit**	Credit	Left
Liabilities	**Credit**	**Credit**	Debit	Right
Equity / Capital	**Credit**	**Credit**	Debit	Right
Dividends / Draws	**Debit**	**Debit**	Credit	Left
Revenues / Sales	**Credit**	**Credit**	Debit	Right
Expenses	**Debit**	**Debit**	Credit	Left

3-STEP JOURNAL ENTRY METHOD

1. **Identify Accounts:** Pinpoint the two or more specific accounts impacted by the event (e.g., Cash, Accounts Payable).
2. **Classify Category:** Group each account into one of the DEALER classes (Asset, Liability, Equity, Revenue, Expense, Dividend).
3. **Determine Direction & Side:** Is each account increasing or decreasing? Apply the table above to assign **Debit** or **Credit**.