

# What are Debits and Credits?

## Worksheet

A debit (left side) increases assets, expenses, and dividends and decreases liabilities, equity, and revenue; a credit (right side) does the opposite. Total debits must always equal total credits.

## Questions

1. Which side of a T-account is the debit side?

- A) Left
- B) Right
- C) Top
- D) Bottom

2. A \$500 credit to Cash does what?

- A) Increases Cash
- B) Decreases Cash
- C) Has no effect
- D) Doubles Cash

3. In double-entry bookkeeping, total debits must equal total

- A) Assets
- B) Liabilities
- C) Credits
- D) Revenue

4. A \$1,000 debit to Salaries Expense and \$1,000 credit to Cash records

- A) Paying salaries in cash
- B) Receiving cash for services
- C) Borrowing cash
- D) Buying inventory on credit

5. Cash starts the month at \$5,000. During the month, \$3,000 is debited and \$1,000 is credited to Cash. What's the ending balance?

6. A company pays \$800 rent in cash. Journalize the entry.

7. Accounts Payable begins at \$2,000 (credit balance). The company is credited \$1,500 more in purchases and debits (pays) \$500. What's the ending balance?

8. Define: What does 'debit' mean?

9. Define: What does 'credit' mean?

10. Define: What is the double-entry rule?

## Answer Key

1. A) Left - By convention, debits are always recorded on the left.
2. B) Decreases Cash - Cash is debit-normal, so a credit decreases it.
3. C) Credits - Every balanced entry has equal debit and credit totals.
4. A) Paying salaries in cash - Expense increases (debit) while Cash decreases (credit) - a cash salary payment.
5. Cash is debit-normal -> Ending = Beginning + Debits Credits Ending = 5,000 + 3,000 1,000 Ending = \$7,000
6. Rent Expense increases -> debit Rent Expense \$800 Cash decreases -> credit Cash \$800 Debits (\$800) = Credits (\$800) - the entry balances
7. Accounts Payable is credit-normal -> Ending = Beginning + Credits Debits Ending = 2,000 + 1,500 500 Ending = \$3,000
8. The left side of a journal entry or T-account; increases assets/expenses/dividends.
9. The right side of a journal entry or T-account; increases liabilities/equity/revenue.
10. Every transaction needs equal total debits and total credits.

### **Bounlu**

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