

# What is a Normal Balance?

## Worksheet

An account's normal balance is the side (debit or credit) that increases it: debit for assets, expenses, and draws; credit for liabilities, equity, and revenue.

## Questions

1. What is the normal balance of the Cash account?
  - A) Debit
  - B) Credit
  - C) Neither
  - D) Both equally
2. What is the normal balance of Accounts Payable?
  - A) Debit
  - B) Credit
  - C) Zero
  - D) Depends on the year
3. Which account type shares the same normal balance as Expenses?
  - A) Liabilities
  - B) Equity
  - C) Assets
  - D) Revenue
4. A credit entry to Retained Earnings does what?
  - A) Decreases it
  - B) Increases it
  - C) Has no effect
  - D) Converts it to an asset
5. A company buys \$5,000 of equipment for cash. Which accounts change, and on which side?
6. A business receives \$2,000 cash for services performed. How is this recorded?
7. A company pays off \$1,200 of Accounts Payable in cash. Which side moves?
8. Define: What is a normal balance?
9. Define: Normal balance of an asset account?
10. Define: Normal balance of a liability account?

## Answer Key

1. A) Debit - Cash is an asset; assets are debit-normal.
2. B) Credit - Accounts Payable is a liability; liabilities are credit-normal.
3. C) Assets - Expenses and Assets are both debit-normal.
4. B) Increases it - Retained Earnings is equity, which is credit-normal, so a credit increases it.
5. Equipment is an asset -> normal debit balance -> debit Equipment \$5,000 Cash is an asset -> normal debit balance, but it decreases -> credit Cash \$5,000 Both sides are recorded on their normal-balance side of increase/decrease
6. Cash is an asset (debit-normal) and it increases -> debit Cash \$2,000 Service Revenue is revenue (credit-normal) and it increases -> credit Service Revenue \$2,000
7. Accounts Payable is a liability (credit-normal) and it decreases -> debit Accounts Payable \$1,200 Cash is an asset (debit-normal) and it decreases -> credit Cash \$1,200
8. The side (debit or credit) on which an account normally increases.
9. Debit - assets increase with debits, decrease with credits.
10. Credit - liabilities increase with credits, decrease with debits.

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