DEALER DEBIT & CREDIT RULES MASTER CHEAT SHEET

Quick Reference Guide for Accounting Students & Exam Candidates • ***EverythingAboutAccounting.info***

1. The DEALER Framework (Normal Balances & Rules)

Letter	Account Category	Normal Balance	To Increase (+)	To Decrease (-)	Typical Examples
D	**Dividends / Drawings**	**DEBIT (Dr)**	Debit (Dr)	Credit (Cr)	Cash Dividends Paid, Owner Drawings
E	**Expenses**	**DEBIT (Dr)**	Debit (Dr)	Credit (Cr)	Rent, Salaries, Utilities, Depreciation, Cost of Goods Sold
A	**Assets**	**DEBIT (Dr)**	Debit (Dr)	Credit (Cr)	Cash, Accounts Receivable, Inventory, Equipment, Buildings
L	**Liabilities**	**CREDIT (Cr)**	Credit (Cr)	Debit (Dr)	Accounts Payable, Notes Payable, Unearned Revenue, Mortgages
E	**Equity / Capital**	**CREDIT (Cr)**	Credit (Cr)	Debit (Dr)	Common Stock, Owner Capital, Retained Earnings, APIC
R	**Revenues / Income**	**CREDIT (Cr)**	Credit (Cr)	Debit (Dr)	Sales Revenue, Service Fees, Interest Income, Consulting Fees

2. The Traditional 3 Golden Rules of Accounting

Account Classification	Applies To	Rule for DEBIT	Rule for CREDIT
Real Accounts	Tangible and intangible assets (Cash, Machinery, Land, Patents)	**Debit what comes in**	**Credit what goes out**
Personal Accounts	Individuals, firms, banks, debtors, and creditors	**Debit the receiver**	**Credit the giver**
Nominal Accounts	Expenses, losses, revenues, gains (Rent, Sales, Salaries, Discounts)	**Debit all expenses & losses**	**Credit all incomes & gains**

3. Ten Most Frequent Textbook Transactions & Standard Entries

Transaction Description	Debit Entry (Dr)	Credit Entry (Cr)	Accounting Equation Impact
1. Owner invests cash in company	**Cash (Asset ↑)**	**Common Stock / Capital (Equity ↑)**	Assets ↑ = Liabilities + Equity ↑
2. Purchase equipment paying 50% cash, 50% credit	**Equipment (Asset ↑)**	**Cash (Asset ↓) & Accounts Payable (Liab ↑)**	Assets (Net ↑) = Liabilities ↑
3. Purchase inventory on account (credit terms)	**Merchandise Inventory (Asset ↑)**	**Accounts Payable (Liab ↑)**	Assets ↑ = Liabilities ↑
4. Sell goods on credit to customer	**Accounts Receivable (Asset ↑)**	**Sales Revenue (Equity ↑)**	Assets ↑ = Liabilities + Equity ↑
5. Record cost of goods sold on above sale	**Cost of Goods Sold (Expense/Equity ↓)**	**Merchandise Inventory (Asset ↓)**	Assets ↓ = Equity ↓
6. Customer pays invoice balance in cash	**Cash (Asset ↑)**	**Accounts Receivable (Asset ↓)**	Assets ↔ No Net Change
7. Company pays vendor balance on account	**Accounts Payable (Liab ↓)**	**Cash (Asset ↓)**	Assets ↓ = Liabilities ↓
8. Customer pays cash in advance for future services	**Cash (Asset ↑)**	**Unearned Revenue (Liability ↑)**	Assets ↑ = Liabilities ↑
9. Pay monthly office rent and salaries	**Rent & Salaries Expense (Equity ↓)**	**Cash (Asset ↓)**	Assets ↓ = Equity ↓

10. Record year-end depreciation on equipment	**Depreciation Expense (Equity ↓)**	**Accumulated Depreciation (Contra-Asset ↓)**	Assets (Net ↓) = Equity ↓

• Top 3 Exam Traps to Remember:

1. **Unearned Revenue** is a **LIABILITY** (Credit), NOT Revenue! You owe services or products to the customer.
2. **Prepaid Expenses** are **ASSETS** (Debit), NOT Expenses! They represent future economic benefits already paid.
3. **Accumulated Depreciation** is a **CONTRA-ASSET** (Credit). It decreases total assets on the Balance Sheet.