**DEBITS(+) & CREDITS(-)**

**What are Debits and Credits?**

Debits and Credits are often characterized as either a positive or negative number but in reality a debit or a credit characterizes the type of account being used.

The main differences between debits (+) and credits (-) all comes down to the accounting equation:



There are five types of accounts used in accounting. They each have either a debit or credit balance, which is known as its normal balance. The normal balances for each account are as follows:

|  |  |  |
| --- | --- | --- |
| **Account Type** | **Normal Balance** | **Example** |
| Revenue Accounts | Credit (-) | Sales Revenue (Account **4**XXXX) |
| Expense Accounts | Debit (+) | Office Supplies (Account **5**XXXX) |
| Asset Accounts | Debit (+) | Bank Lines/Accounts Receivable (Account **1**XXXX) |
| Liability Accounts | Credit (-) | Accounts Payable (Account **2**XXXX) |
| Fund Equity Accounts | Credit (-) | Fund Transfer (Account **3**XXXX) |

**Example:**

On February 2nd, University of Houston collected $2,350 in cash for advertising services.

Debit & Credit Rules: Cash, an asset, will be debited (increased) and Advertising Service Revenue will be credited (increased).

|  |  |  |
| --- | --- | --- |
| **Account Code** |  | **Amount** |
| 10510 | Debit Cash | 2,350.00 |
| 43639 | Credit Revenue | -2,350.00 |

