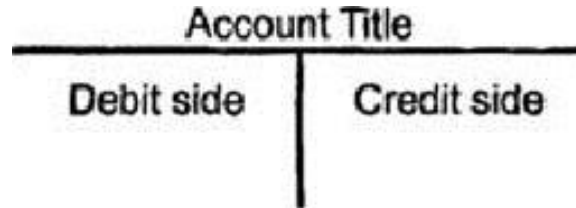


## T Accounts

The simplest account structure is the T-account (shaped like the letter *T*)

- The account title appears at the top of the T
- Debits always go on the left side of the T
- Credits always go on the right side of the T



Increases in assets, expenses, and owner's drawing accounts are recorded on the debit side, and increases in liability, revenue, and owner's capital accounts are recorded on the credit side. The normal balance is *always* on the same side as the increase.

- Asset, expense, and owner's drawing accounts normally have debit balances.
- Liability, revenue, and owner's capital accounts normally have credit balances.

To determine the correct entry in the T-account:

1. Identify the accounts affected by a transaction
2. Which category each account falls into
3. Whether the transaction increases or decreases the account's balance

The following chart can be helpful as a reference:

<b>Assets</b>		<b>Expenses</b>		<b>Owner's Drawing</b>	
Debits	Credits	Debits	Credits	Debits	Credits
Increase	Decrease	Increase	Decrease	Increase	Decrease
Normal		Normal		Normal	
Balance		Balance		Balance	
<b>Liabilities</b>		<b>Revenues</b>		<b>Owner's Capital</b>	
Debits	Credits	Debits	Credits	Debits	Credits
Decrease	Increase	Decrease	Increase	Decrease	Increase
	Normal		Normal		Normal
	Balance		Balance		Balance

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1. All 4 of these are Owner's Equity!!
  2. When an owner takes money out of the business, the Drawing Account **INCREASES!!!**
  3. When an expense is paid, the Expense Account **INCREASES**

The way people often use the words *debit* and *credit* in everyday speech is not how accountants use these words. For example, the word *credit* generally has positive associations when used conversationally: in school you receive credit for completing a course or a great hockey player may be a credit to his or her team. However, for accounting purposes, think of debit and credit simply in terms of the left-hand and right-hand side of a T account.