

c asset, liability, or owner's equity item. The double-entry system for determining the equality of the accounting equation is much more efficient than the plus/minus procedure.

DEBIT AND CREDIT PROCEDURE

Remember that each transaction must affect two or more accounts to keep the basic accounting equation in balance.

Debits and Credits

The terms debit and credit are directional signals: Debit indicates left, and credit indicates right. They indicate which side of a T account a number will be recorded on. Entering an amount on the left side of an account is called debiting the account. We commonly abbreviate debit as Dr. and credit as Cr. Having debits on the left and credits on the right is an accounting custom, or rule. In other words, for each transaction, debits must equal credits in the accounts. The equality of debits and credits provides the basis for the double-entry system of recording transactions. For example, Softbyte (the company discussed in Chapter 1) would have separate accounts for Cash, Accounts Receivable, Accounts Payable, Service Revenue, and Salaries Expense.