

ACCOUNTING TIPS

Debits & Credits:

Types of Accounts to Debit

Debit
Expenses
Assets
Dividends

Types of Accounts to Credit

Credit
Revenues
Liabilities
Stockholder's Equity

- Expenses – Money owed for something used (i.e. Utilities expense, supplies expense)
- Assets – Something that can be turned into cash (i.e. Cash, supplies, prepaid insurance)
- Dividends – Money paid to stockholders
- Revenues – Money earned from services, products or interest
- Liabilities – Money owed (i.e. Accounts payable, interest payable)
- Stockholders Equity – Consisting of common stock and retained earnings

Note: To **increase debit** expenses, assets, and dividends and **credit** revenue, liabilities, and stockholders' equity. To **decrease**, do the opposite.

Accruals & Deferrals:

Accruals

- **Action** before Dollars
 - The **Action** occurs before money exchanged
 - Examples:
1. Eating at a restaurant – Eat before paying
 2. Utilities expense – The use of the utilities determines the amount billed
 3. Interest Revenue – Collected only after it is accrued

Deferrals

- **Dollars** before action
 - The **Dollars** are exchanged before the action
 - Examples
1. Ordering online – Payment is made prior to shipment of product
 2. Prepaid insurance – Insurance premiums are paid in advance
 3. Unearned service revenue – Customer pays prior to services rendered

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