**Unit 2: The Accounts in a Service Business**

**Activity 2: Debit and Credit**

**Questions:**

1. Define “account”.
2. DEBIT means
3. CREDIT means
4. What is the dollar amount in each account called?
5. **Asset** balances are recorded on the **\_\_\_\_\_\_\_\_\_\_\_** side of an account. In other words, an asset account has a **\_\_\_\_\_\_\_\_\_\_\_** balance.
6. **Liability** balances are recorded on the **\_\_\_\_\_\_\_\_\_\_\_\_** side of an account. In other words, a liability account has a \_\_\_\_\_\_\_\_\_\_\_\_\_\_ balance.
7. Owner’s equity balances are recorded on the \_\_\_\_\_\_\_\_\_\_\_ side of an account. In other words, an owner’s equity account has a \_\_\_\_\_\_\_\_\_\_\_ balance.

**Check Your Understanding**

1. Debits are recorded on the left side of a T-account.
a)   True
b)   False
2. Credits are recorded on the right side of a T-account.
a)   True
b)   False
3. The balance for an asset account is recorded on credit side.
a)   True
b)   False
4. The balance for a liability account is recorded on debit side.
a)   True
b)   False

**Assignment**

**Complete the following assignment and submit your work to your teacher.**

Create the following chart in your word processor.

The chart must include the following headings:
(a) type of account (asset, liability, or equity)
(b) sides of the account (debit or credit, where the opening balance is recorded)

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| --- | --- | --- |
| **Account** | **Type of Account** | **Debit or Credit** |
| Cash |   |   |
| Building |   |   |
| Bank Loan |   |   |
| Equipment |   |   |
| Mortgage |   |   |
| Automobile |   |   |
| Lisa Simpson, Capital |   |   |
| Furniture |   |   |
| Computer |   |   |
| Jeanine Lafleur, Capital |   |   |