



### **Typical Types Of Business Transactions and the Debits and Credits and Accounts Used To Record Them**

In a typical business transaction we get something and we give up something.

#### **Sale-Sell goods and/or services**

Cash Sale-customer pays at the time of sale

The business gets cash or a check from their customer and gives up a product or service to their customer.

Accounts Used:

Debit: Cash

Debit: Cost Of Sales (Product Sold)

Credit: Sales

Credit: Inventory (Product Sold)

On Account Sale-business allows the customer time to pay

The business gets a promise to pay from their customer and gives up a product or service to their customer.

Accounts Used:

Debit: Accounts Receivable

Debit: Cost Of Sales (Product Sold)

Credit: Sales

Credit: Inventory (Product Sold)

#### **Purchase goods and/or services**

Cash Purchase-business pays the supplier at the time of purchase

The business gets a product or service from their supplier and gives up cash or a check to their supplier.

Accounts Used:

Debit: Expense or Inventory Account

Credit: Cash

On Account Purchase-supplier allows the business time to pay  
The business gets a product or service from a supplier and gives up a promise to pay to their supplier.

Accounts Used:

Debit: Expense or Inventory Account

Credit: Accounts Payable

**Pay Supplier Charge Purchases** -pay suppliers for products and/or services that we promised to pay for later (charge).

The business gets the amount of their promise to pay the supplier reduced and gives up cash or a check.

Accounts Used:

Debit: Accounts Payable

Credit: Cash

**Receive Customer Charge Payments** -receive payments from a customer that promised to pay us later (charge sale).

The business gets cash or a check from their customer and gives up (reduces the amount of) their customer's promise to pay.

Accounts Used:

Debit: Cash

Credit: Accounts Receivable

**Borrow Money (Loans)** -receive loan from a creditor with payment terms

The business gets cash or equipment and gives up a promise to pay.

Accounts Used:

Debit: Cash or Equipment

Credit: Note Payable

**Repay a Loan** - business makes payments to creditor

The business gets the amount of their promise to pay reduced and gives up cash or a check.

Accounts Used:

Debit: Note Payable

Credit: Cash

**Draw** -payments made to owner(s)

The business gets the owner's claim to the business assets reduced and gives up cash or a check.

Accounts Used:

Debit: Owner's Draw

Credit: Cash

### **Payroll**

The business gets services from their employees and gives up a check.

Accounts Used:

Debit: Salary & Wages Expense

Debit: Employer Taxes

Credit: Employer Share Social Security

Credit: Employee Social Security Withholdings

Credit: Employee Income Tax Withholdings

Credit: Other Payroll Withholdings (Insurance, etc.)

Credit: Cash or Accrued Payroll

