

Confused over Debits and Credits?

This is how debits and credits work in relation to accounting. We often use T-Accounts as a visual representation in solving the question..."What side do I record it on?"

Assets	
Debit	Credit
" + "	" - "
(Increase)	(Decrease)

Liabilities	
Debit	Credit
" - "	" + "
(Decrease)	(Increase)

Withdrawals	
Debit	Credit
" + "	" - "
(Increase)	(Decrease)

Equity	
Debit	Credit
" - "	" + "
(Decrease)	(Increase)

Expenses	
Debit	Credit
" + "	" - "
(Increase)	(Decrease)

Revenue	
Debit	Credit
" - "	" + "
(Decrease)	(Increase)

Examples:

When paying off a liability, the transaction would be a "Decrease" (Credit) from the Asset - Cash and a "Decrease" (Debit) from the Liability - Accounts Payable.

When you provide a service and earn revenue, the transactions which would be an "Increase" to the Asset - Cash and an "Increase" (Credit) to Revenue - Services.

When the company buys a piece of land, the transaction would be an "Increase" to the Asset - Land account and a "Decrease" to the Asset - Cash account.