We can think of as accounting is the language of business. Just like learning a new language, when we learn accounting, we need to understand the meaning of new words. Let’s consider two important words: Debit and Credit.

Both Debit and Credit can mean either *increase* or *decrease*. It depends on the account type being described. We can remember how to increase each account type by remembering the acronym: DC ADE LER:

|  |  |
| --- | --- |
| D | C |
| A  D  E | L  E  R |

|  |  |
| --- | --- |
| Debit | Credit |
| Asset  Draw  Expense | Liability  Equity  Revenue |

The table above shows what you need to do to *increase* each account type. For example, to *increase* Assets, Draws, or Expenses you **debit** those account types. To *increase* Liabilities, Equity, and Revenue you also **credit** these account types.

To *decrease* the account types you must do the opposite of what is in the table. For example, you **credit** Assets, Draws, and Expenses to *decrease* these account types. To *decrease* Liabilities, Equity, and Revenue you **debit** these account types.

All financial transactions are converted into meaning by recording transactions through a journal entry and debiting or crediting the appropriate account.

|  |  |
| --- | --- |
|  | For every debit there must be a corresponding credit.  Debits = Credits  Therefore, we can think of debits and credits as always being in balance, or as two sides of a scale that must be equal.  For example, when a business makes a sale, we know that revenue increases. We can increase revenue by crediting the revenue account. To ensure that debits equal credits we must debit something. If the customer paid with cash (an asset) we can increase the cash by debiting cash and bring the scale back into balance. |

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