Double Entry

Accounting & Finance

The rule underneath every accounting system ever built.

Every debit has an equal and opposite credit; the accounting equation always holds.

Assets = Liabilities + Equity

Buy stock for cash Assets swap.	**Dr Inventory, Cr Cash**
Take a loan Both sides grow.	**Dr Cash, Cr Loan**
Pay a supplier Both shrink.	**Dr Payables, Cr Cash**

THE COMMON MISTAKE

× **Reading debit as bad and credit as good**

✓ **They are only left and right**

Debit increases assets and expenses; credit increases liabilities, equity and income. Neither carries a value judgement.

DEAD CLIC: Debits increase Expenses, Assets, Drawings; Credits increase Liabilities, Income, Capital.