

DEBIT & CREDITS



Debit = Left
Credit = Right

Debits = Credits

The words debit and credit have a Latin origin (debitum and creditum). Pacioli, the Italian monk who wrote about accounting in the fifteenth century, used these terms.

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

Assets appear on the debit side of the accounting equation, therefore they increase with a debit.

Liabilities and Owner's Equity appear on the credit side of the accounting equation, therefore they increase with a credit.

Revenues increase the Owner's Equity account *Capital*. Capital increases with a credit (it is on the credit side of the accounting equation), therefore Revenues are recognized with a credit.

Expenses decrease the Owner's Equity account *Capital*. Capital decreases with a debit, therefore expenses are recognized with a debit.

Withdrawals decrease the Owner's Equity account *Capital*. Capital decreases with a debit, therefore withdrawals are debits.