What is Debit and Credit in Accounting

Debits and Credits are an important concepts in accounting, every accounting learner should understand what is debit and what is credit before learning accountancy. For beginners, understanding Debit and Credit accounts can be a very confusing concepts, however through accounting tutorial we have prepared step by step basics to understand what is debit accounts, what is credit account and how to update in journal entries.

What is Debit

The left side of an accounting is called as Debit, in shortly it is called as Dr.

What is Credit

Credit: The right side of an accounting is called as Credit, in shortly it is called as Cr.

Basic Rules for Debit account and Credit account

- Debit and credit account rules as per account types

<table>
<thead>
<tr>
<th>Personal Accounts</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiver</td>
<td></td>
<td>Giver</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Real Accounts</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>What comes in</td>
<td></td>
<td>What goes out of</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nominal Accounts</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses, losses</td>
<td></td>
<td>Incomes, gains</td>
</tr>
</tbody>
</table>

Above rules are also called as golden rules of accounting.

Basically, to understand when to use debit and credit, the account type must be identified. In Accounting, accounts can be identified in five categories.

- **Assets** – An increase (+) creates (Debit), Decrease (-) creates (Credit)
- **Liabilities** – An increase (+) create (Credit), Decrease (-) creates (Debit)
- **Income** – An increase (+) creates (Credit), Decrease (-) creates (Debit)
- **Expenses** – An increase (+) creates (Debit), Decrease (-) creates (Credit)
- **Capital / Equity** - An increase (+) creates (Credit), Decrease (-) creates (Debit)

Accounting Rules for Debit & Credit

Below are examples of debit and credit accounting transactions. Note the transactions are viewed from the side of Tutorial Kart.

Example -1 : Tutorial Kart started business with cash.
- Cash – Debit (Increase in Asset)
- Capital Account – Credit

**Example 2: Burrowed cash from Bank**
- Cash – Debit (Increase in Asset)
- Bank Account – Credit

**Example 3: Purchased furniture from Neelkam furniture's on credit**
- Furniture Account – Debit
- ABC Account – Credit

**Example 4: Purchased Goods for Cash**
- Purchase Account – Debit
- Cash – Credit

**Example 5: Sales goods for Cash**
- Cash – Debit (Increase in Asset)
- Sales Account – Debit (Decrease in Asset)

**Example 6: Deposited cash into bank account**
- Bank – Debit (Asset in Bank increases)
- Cash Account – Credit (Asset is Decreasing)

**Example 7: Withdraw amount from bank for office use**
- Cash – Debit (Asset is Increasing)
- Bank Account – Credit (Asset in Bank decrease)

**Example 8: Withdraw amount from bank for personal use.**
- Drawing – debit (Debit the receiver)
- Bank Account – Credit (Asset in bank decrease)

**Example 9: Paid Salary to Employees by check.**
- Salary – Debit (Expenses)
- Bank Account – Credit (Bank is paying).