

To summarise

<b>Dr.</b>	<b>Assets</b>	<b>Cr.</b>	<b>Dr.</b>	<b>Liabilities &amp; Capital</b>	<b>Cr.</b>
Increase		Decrease	Decrease		Increase
<b>Dr.</b>	<b>Expenses or Losses</b>	<b>Cr.</b>	<b>Dr.</b>	<b>Income or Gains</b>	<b>Cr.</b>
Increase		Decrease	Decrease		Increase

**The student should clearly understand the nature of debit and credit.**

A debit denotes :

- In the case of a person that he has received some benefit against which he has already rendered some service or will render service in future. When a person becomes liable to do something in favour of the firm, the fact is recorded by debiting that person's account : (relating to Personal Account)
- In case of goods or properties, that the value and the stock of such goods or properties has increased, (relating to Real Accounts)
- In case of other accounts like losses or expenses, that the firm has incurred certain expenses or has lost money. (relating to Nominal Account)

A credit denotes :

- In case of a person, that some benefit has been received from him, entitling him to claim from the firm a return benefit in the form of cash or goods or service. When a person becomes entitled to money or money's worth for any reason. The fact is recorded by crediting him (relating to Personal Account)
- In the case of goods or properties, that the stock and value of such goods or properties has decreased. (relating to Real Accounts)
- In case of other accounts like interest or dividend or commission received, or discount received, that the firm has made a gain (relating to Nominal Account)

**At a glance :**

<b>Dr. (Debit side)</b>	<b>Cr. (Credit side)</b>
DESTINATION Where the economic benefit reaches / is received.	SOURCE of each economic benefits
Receiver	Giver
What comes in	What goes out
All expense and losses	All income and gains

Let us now understand the mechanism of posting transaction into the ledger account. Consider the transaction: Rent paid in cash for ₹ 10,000. The journal entry for this transaction would be:

Jan 15	Rent A/c	Dr.	10,000	
	To, Cash A/c			10,000

We will open two ledger accounts namely Rent A/c and Cash A/c. Let us see how the posting is made

<b>Rent Account</b>							
<b>Dr.</b>				<b>Cr.</b>			
<b>Date</b>	<b>Particulars</b>	<b>J. F.</b>	<b>Amount (₹)</b>	<b>Date</b>	<b>Particulars</b>	<b>J. F.</b>	<b>Amount (₹)</b>
Jan15	To, Cash A/c		10,000				