THE ACCOUNTING MODEL

1. ALL ASSET ACCOUNTS

Debit	Credit
Increase	Decrease

2. ALL LIABILITY ACCOUNTS

Debit	Credit
Decrease	Increase

3. ALL EQUITY ACCOUNTS

Debit	Credit
Decrease	Increase

4. ALL REVENUE ACCOUNTS

Debit	Credit
Decrease	Increase

5. ALL EXPENSE ACCOUNTS

Debit	Credit
Increase	Decrease

The Accounting Model is the key that unlocks the mystery of double-entry accounting. It is made up of three very simple parts:

The first part is a ledger page with a line drawn down the middle (like a big T) automatically creating a left and right side of the dividing line. However, in accounting language the word "debit" is used instead of "left" and the word "credit" is used instead of "right".

The second part is that there are five of these ledger T's that relate to the five sections found in a set of financial statements. They are: 1) Assets; 2) Liabilities; 3) Equity; 4) Revenue; 5) Expense. The first three relate to the Balance Sheet and last two relate to the Profit & Loss Statement.

The third part is a rule that states: Any transaction that pertains to a section (Assets, Liabilities, etc.) that results in an increase or decrease has to be recorded on either the left or right side of the ledger page.