

ACCOUNTING LOGIC

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

Debits on the Left

Expenses

A decrease in owner's equity resulting from the operation of a business.

Intangible such as: ads, donations, rent, repair, phone, utilities, etc.



Assets

Anything of value that is owned.

Cash

Accounts Receivable

Prepaid Expenses

Supplies

- Received cash always means cash increases ▲ (Cash debited).
- Paid cash always means cash decreases ▼ (Cash credited).



Drawing

Withdrawals by owner means drawing increases ▲ (Drawing debited).

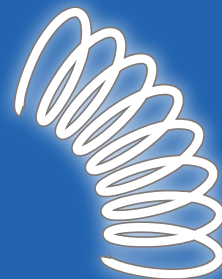
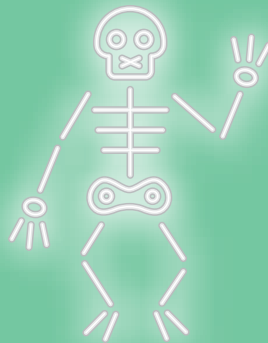


Normal Balance Side

Increase Side

Debit
Expenses
Assets
Drawing

Credit
Owners Equity/Capital
Income/Revenue/Sales
Liabilities



1. Account Balances increase on the Normal Balance Side
2. Account Balances decrease on the side **opposite** the Normal Balance Side

Credits on the Right

Owners Equity/Capital

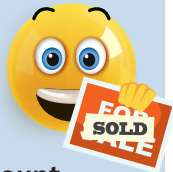
Cash Investment from owner increases ▲ and increases capital ▲ (Cash debited—Capital credited)



Income/Revenue/Sales

Sales increases on credit side. ▲ (Sales credited)

- Sold Services
- Sold on Account
- Performed Services



Sold on account or Sales on account always means **accounts receivable** increases. ▲ (AR debited—Sales credited)
(Cash is not involved when sold on account or sales on account)

Liabilities

An amount owed by a business. Must say Accounts Payable

Bought on account or Purchased on account always means **accounts payable** increases ▲ (AP credited)

(Cash is not involved when bought on account)



| | | | | | | | |
|---------------|-----------|---|--------------------|-----------|---|-------------|-----------|
| Assets | | = | Liabilities | | + | O.E. | |
| DR | CR | | DR | CR | | DR | CR |
| + | - | | - | + | | - | + |

| | | | | | | | |
|---------------|-----------|---|--------------------|-----------|---|-------------|-----------|
| Assets | | = | Liabilities | | + | O.E. | |
| DR | CR | | DR | CR | | DR | CR |
| + | - | | - | + | | - | + |

ASSETS

LIABILITIES

O.E.

REVENUE

EXPENSE

C OF M

SPECIAL JOURNALS

ASSETS

LIABILITIES

O.E.

REVENUE

EXPENSE

C OF M

SPECIAL JOURNALS