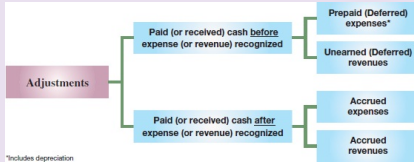


### Steps

- Step 1:** Determine what the current account balance equals.  
**Step 2:** Determine what the current account balance should equal.  
**Step 3:** Record an adjusting entry to get from step 1 to step 2.

### Adjustments Flow Chart



### Entries

Prepaid (Deferred) Expenses	Unearned (Deferred) Revenue	Accrued Expenses	Accrued Revenue
DB. Expense	DB. Liability	DB. Expense	DB. Asset
CR. Asset	CR. Revenue	CR. Liability	CR. Revenue
Increase	Decrease	Increase	Increase
Expense/Decrease	Liability/Increase	Liability/Increase	Asset/Increase
Asset	Revenue	Expense	revenue

### Types of Adjustments

Adjustment Type	Effect on Balance Sheet	Effect on Income Statement
Prepaid Expense	CR. <b>decrease</b> asset	DB. ^ Expense
Unearned Revenues	DB. <b>decrease</b> Liability	CR. ^ Revenue
Accrued Expenses	CR. ^ Liability	DB. ^ Expense
Accrued Revenues	DB. ^ Asset	CR. ^ Revenue



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