

Elements of Financial Statements

Official Account Types For Beginners

1. Assets	1. Assets
2. Liabilities	2. Liabilities
3. Capital/Equity	3. Capital/Equity
4. Investments by Owners	4. Revenues
5. Distributions to Owners	5. Expenses
6. Revenues	
7. Expenses	
8. Gains	
9. Losses	
10. Comprehensive Income	

[Click Here](#) for Video Reference

The Accounting Equation

Assets = Liabilities + Owner's Equity

Computation for **Total Owner's Equity**

Beginning Capital (+) when Owner transfers Money from Personal Bank Account to a Business Account (Company Name, Capital)

Income/Revenues (+) will ultimately INCREASE Capital

Expenses (-) will ultimately DECREASE Capital

[Click Here](#) for Video Reference

Account Classification Practice

Specific Account Types Classification

Accounts Payable	Liability
Cash	Asset
Notes Receivable	Asset
Equipment	Asset
Company Name, Capital	Capital/Equity
Supplies Expense	Expense
Building	Asset
Prepaid Rent	Asset
Fees Earned	Income/Revenue
Office Equipment	Asset
Miscellaneous Expense	Expense
Common Stock	Capital/Equity
Service Income	Income/Revenue
Unearned Fees	Liability
Supplies	Asset
Accounts Receivable	Asset
Prepaid Expenses	Asset
Mortgage Payable	Liability
Company Name, Drawing	Capital/Equity

[Click Here](#) for Video Reference

T-Accounts

make **Seperate Computations** for Each Specific Account Type (ex. Cash, Accounts Receivable, Supplies, Rent Expense and etc.) in the form of **T-Accounts to Tally the Total of Each Account**

the **Debit and Credit of Each T-Account** must **Balance** each other out

Debits money **Taken** from your account to **Cover Expenses**

Cred- money **Coming Into** your account its

T-Accounts (cont)

KEEP IN MIND: The **Debit** and **Credit** Entry of Each Specific T-Account depends on their **Primary Classification** which are as follows

Primary Classification of Accounts Dr. Cr.

1. Assets (A) (+) (-)

Cash or things like **Land, Equipment, or Business Vehicles** that could be **CONVERTED** into Cash

2. Liabilities (L) (-) (+)

Debts you owe an individual or other businesses (ex. **Accounts Payable, Notes Payable, Loans, Unearned Revenue and etc.**)

3. Capital/Equity (C) (-) (+)

this is the **Beginning Capital + Income - Expenses**

also **Owner's Equity = Assets - Liabilities**

4. Income/Revenues (I) (-) (+)

Cash earned through **Sales** (INCREASES CAPITAL)

5. Expenses (E) (+) (-)

what you **Spend** money on to **Operate the Business** (DECREASES CAPITAL)

[Click Here](#) for Video Reference

