Little Accounting Reference Sheet

The basic accounting equation

Assets= Liabilities + Owner's Equity

The accounts for a business are divided into 5 main account groups and they are located in the General Ledger as follows:
Assets– things the business "owns"
Liabilities—things the business "owes"
Capital —the owner's equity in the business
Revenue– earnings of the business
Expenses– costs of the business

The left side of an account is said to be the debit side while the right side of an account is the credit side.

When a transaction occurs the total dollar amount of the "debits" should equal the total dollar amount of the "credits"

Debit	Credit

In double-entry accounting, each time a transaction occurs it ALWAYS affect at least TWO accounts. These accounts are increased or decreased according to the "rules of debits and credits" in accounting. The DRAWING account keeps track of the amount withdrawn from the business by the owner.

The accounts that are increased by DEBITS are :
Assets
Drawing
Expenses

The accounts that are increased by CREDITS are :
Capital
Liabilities
Revenue

After the accounts have been involved in several transactions, they will "normally" have either a debit or a credit balance. The way an account is INCREASED will always be its "Normal Balance"

Examples:
Assets are increased with DEBITS and they have a NORMAL debit balance.

Liabilities are increased with credits and they have NORMAL credit balance.

Normal Balances

Debit	Credit
[A]ll	[C]ute
[D]ogs	[L]ittle
[E]at	[R]abbits
A….Assets	C….Capital
D….Drawing	L….Liabilities
E….Expenses	R….Revenue