Lesson 1 - Accounting Equation, Classification of Accounts, Balance Side of Accounts, Increase/Decrease Basic Accounting Equation: Assets = Liabilities + Owner's Equity (ALOE)

Two main categories of recordkeeping:

Balance Sheet keeps track of what we OWN and what we OWE Income Statement keeps track of what we earn (Revenue) and the costs to earn it (Expenses and Cost of Goods Sold)

Balance Sheet accounts (Permanent OR Real accounts keep open balances) **ASSETS (100's) = LIABILITIES (200's) + OWNER'S EQUITY (**300's)

Bal + D Cash Petty Cash Change Fund A/R Supplies	C <u>Contras</u> AUA	D	C Bal + A/P Sales Tax Pay. SS Pay Med Pay FIT Pay	D <u>Contra</u> Drawing (sort of see below)	C Bal + Owner, Capital (for sole prop.) Retained Earnings
Prepaid Ins./Rent Merch. Inventory Equipment etc.			Notes Pay etc. Pay		Capital Stock (for corp.'s)

Temporary Capital Accounts: REDC (Revenue, Expenses, Drawing, Cost of Goods Sold) Temporary OR Closed OR Income Statement OR Nominal accounts

OWNER'S EQUITY

D C Bal + Green Fees Legal Fees Styling Fees etc. Fees Toy Sales Car Sales etc. Sales		
etc. Fees Toy Sales Car Sales		
To Remember Balance Sides:		
<u>C</u> r Owner's Equity R evenue		
es		