



Major Types Of Accounts and Relationships

Green Debit Balance Accounts

Red Credit Balance Accounts

Balance Sheet-Permanent Accounts

Normal Debit Balances Normal Credit Balances Normal Credit Balances

Assets

=

Liabilities

+

Owner's Equity

Normal Credit Balances

**Owner's Capital
Accounts**

Income Statement-Temporary Accounts

Normal Credit Balances Normal Debit Balances

Revenue

-

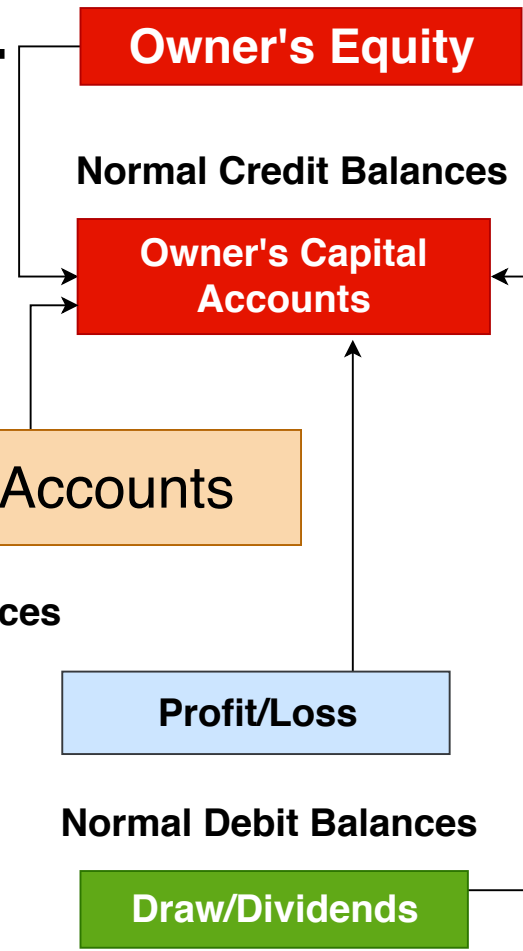
Expense

=

Profit/Loss

Normal Debit Balances

Draw/Dividends





What Does The Diagram Tell Ya ?

1. The Major Types Of Accounts or Categories are:
Assets Liabilities Owner's Equity Revenue
Expense Draws/Dividends
 2. All Accounts have a Normal Balance which is either a Debit or Credit Balance
 3. Accounts with a Normal Debit Balance are:
Assets Expenses Draws/Dividends
Accounts with a Normal Credit Balance are:
Owner's Capital Accounts Liabilities Revenues
 4. The Balances in Temporary Accounts are transferred (closed) to the Permanent Owner's Capital Accounts
 5. Revenues - Expenses = Profit or Loss
If Revenues > Expenses = Profit
If Expenses > Revenues = Loss
 6. Assets = Liabilities + Owner's Equity which is the Basic Accounting Equation and the basis for the Double Entry Bookkeeping System
- Debit Account Balances = Credit Account Balances