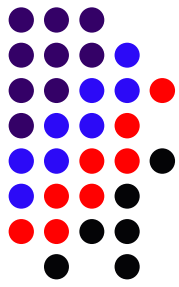


Summary of T-account Rules



Assets (cash, receivables, equipment)

Increases

Decreases

Liabilities (loans payable)

Decreases

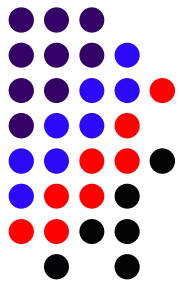
Increases

Owners' equity (contributed capital, retained earnings)

Decreases

Increases

Components of stockholders' equity



Preview from Notesale.co.uk
Page 8 of 33

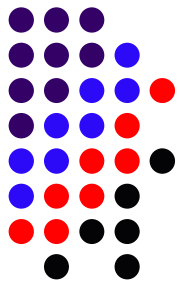
Common Stock

Additional
Capital

Retained Earnings

Expenses
Dividends

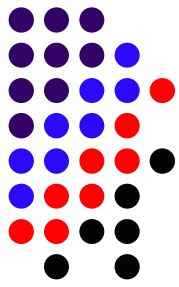
Revenue



Recording expenses: A Summary

- Expenses decrease retained earnings.
- Decreases in retained earnings are recorded on the left side
- Expenses are recorded on the left side

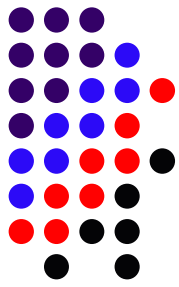
Expenses and Revenues: Debits and Credits



- Retained earnings (in general) has a credit balance.
- Revenues have credit balance because
 - they increase retained earnings
- Expenses and dividends have debit balance because
 - they decrease retained earnings
- Can retained earnings have a debit balance?
 - Yes, when cumulative earnings are less than cumulative dividends

Emily's Bakery

Trial Balance



Preview from Notesale.co.uk
Page 30 of 33

	Debit	Credit
Cash	6,000	
Accounts Receivable	4,000	
Equipment	5,000	
Loans Payable		3,000
Contributed Capital		10,000
Retained Earnings		0
Service Revenue		12,000
Expenses	9,000	
Dividend	1,000	
Total	<u>25,000</u>	<u>25,000</u>