

Success Center Accounting Tips

Basic Accounting

Accounting Equations and Financial Statements Relationships

Financial Statements

Basic Equation

Assets	=	Liabilities	+	Owner's Equity			
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→ Balance Sheet

Expanded Basic Equation 1

Assets	=	Liabilities	+	Investments (Capital)	-	Drawings	+	Net Income	
								or	
							-	Net Loss	

→ Statement of Owner's Equity

Expanded Basic Equation 2

Assets	=	Liabilities	+	Investments (Capital)	-	Drawings	+	Revenues	-	Expenses
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→ Income Statement

Debit/Credit Effects

Dr	Cr		Dr	Cr		Dr	Cr		Dr	Cr		Dr	Cr		Dr	Cr
+	-		-	+		-	+		+	-		-	+		+	-

Owner's Equity Equation

Beginning Owner's Equity (Beginning Capital)	+	Investments (Capital)	-	Drawings	+	Net Income		=	Ending Owner's Equity (Ending Capital)
						or			
					-	Net Loss			
						or			
					+	Revenues	-		

Remember:

1. The Net Income or Net Loss from the Income Statement goes in the Statement of Owner's Equity.
2. Start the Statement of Owner's Equity with the Beginning Owner's Equity (Beginning Capital) balance.
3. The Ending Owner's Equity (Ending Capital) from the Statement of Owner's Equity goes on the Balance Sheet.



Indicates account classifications with their corresponding Financial Statements.



Indicates account's Normal Balance