

MAJOR BALANCE SHEET CLASSIFICATIONS

ASSETS	=	LIABILITIES	+	STOCKHOLDER'S EQUITY
Current Assets		Current Liabilities		Capital Stock <ul style="list-style-type: none"> • Preferred Stock • Common Stock
Long-Term Investments		Long-Term Debt		Additional Paid-In Capital
Property, Plant, & Equipment		Deferred Taxes		Retained Earnings
Intangible Assets				Treasury Stock
Other Assets				

Assets are probable future economic benefits obtained by or controlled by an entity as a result of past transactions or events.

Liabilities are probable future sacrifices of economic benefits arising from present obligations of an entity to transfer assets or provide goods or services to other entities in the future as a result of past transactions or events.

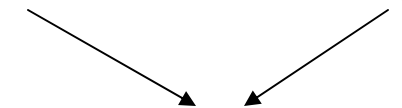
Stockholder's Equity is residual interest in the assets of an entity that remains after deducting its liabilities. In a business enterprise, equity is the ownership interest.

CURRENT ASSETS

- 1. Cash
- 2. Short-term investments
- 3. Receivable
- 4. Inventories
- 5. Prepaid expenses

CURRENT LIABILITIES

- 1. Short-term debt
- 2. Accounts payable
- 3. Advances from customers
- 4. Income taxes payable
- 5. Current portion of long-term debt

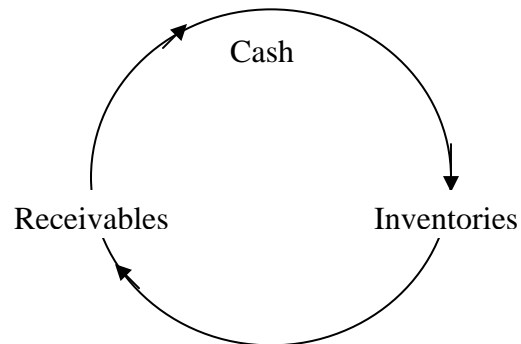


WORKING CAPITAL =
Current assets – Current liabilities

Indication of
entity's *liquidity*

Indication of *flexibility* in
meeting financial demands of

THE OPERATING CYCLE



DOUBLE-ENTRY ACCOUNTING SYSTEM

REAL (PERMANENT) ACCOUNTS							
ASSETS		=	LIABILITIES		+	CAPITAL/STOCKHOLDER'S EQUITY	
Debit/Dr	Credit/Cr		Debit/Dr	Credit/Cr		Debit/Dr	Credit/Cr
Increase + ↑	Decrease - ↓		Decrease - ↓	Increase + ↑		Decrease - ↓	Increase + ↑
Normal Balance			Normal Balance		+	Normal Balance	
						RETAINED EARNINGS	
						Debit/Dr	Credit/Cr
						Decrease - ↓	Increase + ↑
						Normal Balance	

Rules of Thumb

**If the “normal balance” for an account is a debit,
then the account is increased by a debit and
decreased by a credit.**

**If the “normal balance” for an account is a credit,
then the account is increased by a credit and
decreased by a debit.**

**Contra Accounts
have normal balances that are
the opposite of their “parent” accounts.**


NOMINAL ACCOUNTS

REVENUES (and GAINS)

Debit/Dr	Credit/Cr
Decrease - ↓	Increase + ↑
Normal Balance	

EXPENSES (and LOSSES)

Debit/Dr	Credit/Cr
Increase + ↑	Decrease - ↓
Normal Balance	