**Accounting for Careers: Chapter 5 Notes Outline**

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| Temporary Capital Accounts: |
| Permanent Accounts: |
| Revenue Recognition: |
| Trial Balance: |

**KEY CONCEPTS**

1. The accounts used by a business are separated into permanent accounts and temporary accounts.
2. Assets and Liability accounts and the Owner’s Capital account are permanent accounts.
3. Revenue, Expense and Withdrawal accounts are temporary capital accounts.
4. Temporary capital accounts start each new accounting period with zero balances.
5. Revenue accounts are increased by credits and have normal credit balances.
6. Expense and Withdrawal accounts are increased by debits and have normal debit balances.
7. The rules of debit and credit for permanent accounts are summarized below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **ASSETS** | | **=** | **LIABILITIES** | | **+** | **OWNER’S EQUITY** | |
| Asset Accounts | | **=** | Liability Accounts | | **+** | Owner’s Capital Accounts | |
| **Debit**  **+**  **Increase**  **Side**  **Normal Balance** | Credit  -  Decrease Side |  | Debit  -  Decrease Side | **Credit**  **+**  **Increase**  **Side**  **Normal Balance** |  | Debit  -  Decrease Side | **Credit**  **+**  **Increase**  **Side**  **Normal Balance** |

1. The rules of debit and credit for the temporary capital accounts are summarized below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **TEMPORARY CAPITAL ACCOUNTS** | | | | | | | |
| Withdrawals | | **=** | Expenses | | **+** | Revenues | |
| **Debit**  **+**  **Increase**  **Side**  **Normal Balance** | Credit  -  Decrease Side |  | **Debit**  **+**  **Increase**  **Side**  **Normal Balance** | Credit  -  Decrease Side |  | Debit  -  Decrease Side | **Credit**  **+**  **Increase**  **Side**  **Normal Balance** |