

## UNDERSTANDING BASIC BOOKKEEPING CONCEPTS

ACCOUNT	TYPE	NORMAL BALANCE	WHAT MAKES IT GO UP	WHAT MAKES IT GO DOWN
Bank	Asset	Debit	Getting Paid	Paying Someone
Accounts Receivable	Asset	Debit	Earning, but not getting paid till later.	The later when you get paid.
Office Supplies	Asset	Debit	Buying more supplies	Using up the supplies
Prepaid Insurance	Asset	Debit	Buying more insurance	Using up the insurance
Land	Asset	Debit	Buying more land	Disposing of the land
Office Equipment	Asset	Debit	Buying more equipment	Disposing of the equipment
Bank Loan	Liability	Credit	Borrowing more money	Making loan payment
Accounts Payable	Liability	Credit	Buying, but not paying for it till later.	The later when you pay for it.
Note Payable	Liability	Credit	Borrowing more money	Making loan payment
Owner Capital	Equity	Credit	Investment by Owner	Never happens
Owner Withdrawals	Equity	Debit	Withdrawal by Owner	Never happens
Fees Earned	Revenue	Credit	Doing work	Never happens
Office Supplies Expense	Expense	Debit	Using up supplies	Never happens
Insurance Expense	Expense	Debit	Using up the insurance	Never happens
Telephone Expense	Expense	Debit	Getting a bill	Never happens
Utilities Expense	Expense	Debit	Getting a bill	Never happens

### NOTES:

1. Office Supplies Expense goes up when Office Supplies (Asset) goes down.
2. Insurance Expense goes up when Prepaid Insurance (Asset) goes down.
3. Owner Capital always goes up.
4. Owner Withdrawals always goes up.
5. Revenue always goes up.
6. Expenses always go up.