
4 Must-Know

Accrual Entries Every Accountant Needs



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Types of Accrual Journal Entries

We'll look at 4 common types:

1. Accrued Expenses
2. Accrued Income
3. Prepaid Expenses
4. Unearned Revenue



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Accrued Expenses

Owed But Unpaid

- Example: **March** utilities used (2K) , paid **April 5**.

Debit: Utilities Expense 2,000

Credit: Accrued Liabilities 2,000

- Reversal in April

Debit: Accrued Liabilities 2,000

Credit: Cash 2,000



Accrued Income

Earned But Unbilled

- Delivered 5K consulting services in **March**; invoice sent **April 2**.

| | |
|----------------------------|-------|
| Debit: Accounts Receivable | 5,000 |
| Credit: Consulting Revenue | 5,000 |



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Prepaid Expenses

Paid But Unused

- Paid 12K for annual insurance on March 1.
- March Entry (1/12 used)

| | |
|---------------------------|-------|
| Debit: Insurance Expense | 1,000 |
| Credit: Prepaid Insurance | 1,000 |



Unearned Revenue

Cash In But Unearned

- Received 3K deposit in March for April project.

| | |
|-------------|-------|
| Debit: Cash | 3,000 |
|-------------|-------|

| | |
|--------------------------|-------|
| Credit: Unearned Revenue | 3,000 |
|--------------------------|-------|

- April Entry (When work done)

| | |
|-------------------------|-------|
| Debit: Unearned Revenue | 3,000 |
|-------------------------|-------|

| | |
|-----------------|-------|
| Credit: Revenue | 3,000 |
|-----------------|-------|



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Side-by-Side

Cheat Sheet

| Type | Debit | Credit |
|------------------|---------------------|---------------------|
| Accrued Expense | Utilities Expense | Accrued Liabilities |
| Accrued Income | Accounts Receivable | Revenue |
| Prepaid Expense | Insurance Expense | Prepaid Insurance |
| Unearned Revenue | Cash | Unearned Revenue |



Test Your Knowledge

- You receive 4K in **March** for **May** services.
What's the March entry?

Comment your answer—I'll reply with the correct Debit/Credit!



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