Prepaid Expenses: Expenses that have been paid in advance.

Inventory: Goods owned by a company that is in the business of selling those goods

Supplies

-Many companies have miscellaneous assets that are entirely in product production that are too small and inexpensive to capitalize. These assets are expenses when they are purchased.

Non Current or Long-term Assets:These assets generally have a useful life of more than one year and are usually more expensive business purchases.

Some common example of fixed assets

- Equipment

- Vehicles

- Machinery

- Computers

Intangible Assets:Not all assets are physical. Some assets like goodwill, stock investments, patents, and websites can't be touched.

Liability Accounts :Liabilities are defined as debts owed to other companies. In a sense, liability is a creditor's claim on a company assets. In other words, the creditors has the right to confiscate assets from a company if the company doesn't pay its debts. Most state laws also allow creditors the liability to force debtors to sell assets in order to raise enough cash to pay off their debts.

Liability -accounts have a credit balance. This means that entries created on the left side (debit entries) of a liability T-account decrease the liability account balance while journal entries created on the right side (credit entries) increase the balance.

Two main categories of liability

1.Current liabilities- are debts that become due within the year.

Some common examples of Current Liabilities

- Accounts payable- Many companies purchase inventory on credit from vendors or supplies. When the supplier delivers the inventory, the company usually has 30 days to

pay for it. This obligation to pay is referred to as payments on account or accounts payable. No written contract needs to be in place. The promise to pay can either be oral or even implied.

Accrued Expenses:Since accounting periods rarely fall directly after an expense period, companies often incur expenses but don't pay them until the next period. These expenses are called accrued liabilities.

2.Non-Current liabilities- are debts that become due greater than one year in the future.

Non-current Liabilities EXAMPLE

- Bonds Payable- Many companies use bonds to the public in order to finance future growth. Bonds are essentially contracts to pay the bondholders face amount plus interest on the maturity date. Bonds are almost always long-term liabilities.

Equity Accounts:- Is defined as the owner's interest in the company assets. Equity can be created by either owner's contributions more money into the business to fund its operations, equity in the company increases. Likewise, if the company produces net income for the year and doesn't distribute that money to its owner, equity increases.

- Equity accounts, like liabilities accounts, have credit balances. This means that entries created on the left side (debit entries) of an equity T-account decrease the operations equity balance while journal entries created on the right side (credit entries) increase the account balance.

Main types of equity accounts

- Capital- consist of initial investments made by owners.

- Withdrawals- owner withdrawals are the opposite of contributions.

- Revenues- are the monies received by a company or due a company for providing goods and services. The most common examples of revenues are sales, commissions earned, and interest earned. Revenue has a credit balance and increases equity when it is earned.

- Expenses- Essentially the cost incurred to produce revenue. Cost (like payroll, utilities, rent) are needed for business to operate. Expenses are contra equity accounts with debit balances and decrease equity.

Partnership Equity Accounts

- Owner's or Partner's Capital: The owner's capital account is used by partnerships and sole proprietorships that consist of contributed capital, invested capital, and profits left in the business. This account has a credit balance and increases equity.

- Owner's or Partner's Withdrawal: Owner's or Partner's withdrawals accounts show the amount of money the owners have taken out of the business. Distributions signify a reduction of company assets and company equity.

Corporation Equity

- Ordinary Share (Common Stock): Ordinary Share (Common stock) is an equity account that records the amount of money investors initially contribute to the corporation for their ownership in the company. This is recorded at the par value of the stock.

- Share Premium or Paid-In Capital in excess amount above par -value: That shareholders contribute to the company. For instance, if an investor paid P56 (or P60 in one image) for a P25 par value stock, P25 would be recorded as Ordinary Share (common stock) and P31 (or P35 in one image) would be recorded as Share Premium (paid-in-capital in excess of par).

- Treasury Stock: Sometimes corporations want to downsize or eliminate investors by purchasing company stock from shareholders. These shares that are purchased by the company are called treasury stock. This stock has a debit balance and reduces the equity of the company.

- Retained Earnings: This account represents accumulated earnings of companies that are not distributed to shareholders in the form of dividends. Most of the companies keep a significant share of their profits to reinvest and help run the company's.

Contra Accounts

-Is an account with a balance opposite the normal accounts in its category. Contra accounts are usually tied to specific accounts on the balance sheet and are reported as subtractions from these accounts.

Income Accounts

-Are the assets earned by a company's operations and business activities.

Is an equity account with a credit balance.

Non-operating Revenues or Other Income

-Other income includes all revenues generated by a company outside of its normal operations. Usually non-operating revenues are only a fraction of operating revenues

EXAMPLE of non-operating revenues:

Interest income- Interest income is the most common form of non-operating income.

Expenses Accounts- are the costs incurred to generate revenue.

Operating Expenses

- Include all costs that are incurred to generate operating revenues like merchandise sales.

Examples of common operating expenses:

- Rent

- Wages

- Utilities

- Advertising

Non-operating Expenses

- Include costs that can't be linked back to operating revenues.

- Interest expense is the most common non-operating expense.