

Revenues , Expenses and T-Accounts

How to record Revenues and Expenses in
T-Accounts

Revenues

- ▶ Consider the following transaction, performed a service for \$100 cash.
- ▶ Cash, an asset account is increasing and therefore it will be debited for \$100
- ▶ Since we are using a double entry accounting system, then another account needs to be credited.
- ▶ A revenue is recognized when we perform a service or sell a good to a customer.
- ▶ Service Revenue is a Revenue account that is increasing and will be credited \$100

Cash	Service Revenue
100	100

Expenses

- ▶ Consider the following transaction, paid \$100 cash for advertising
- ▶ Cash, an asset account is decreasing and therefore it will be credited for \$100
- ▶ Since we are using a double entry accounting system, then another account needs to be debited for \$100.
- ▶ An expense is recognized when it is incurred.
- ▶ Advertising Expense account will increase by \$100, since it is an expense account, it will be

Cash		Advertising Expense	
	100	100	

To Summarize

Assets		Liabilities	
Increase (+)	Decrease (-)	Decrease (-)	Increase (+)
Expenses		Owner's Equity	
Increase (+)	Decrease (-)	Decrease (-)	Increase (+)
Revenues		Revenues	
		Decrease (-)	Increase (+)