



## Bookkeeping 101: The Ceterus Way

Many business owners put money into their business and take money out of their business at times. When that happens, how are the books affected?

**Contributions** - If the business needs cash, an owner may put in additional funds to cover those needs. When that happens you will see an increase in the Operating account and an increase in the Owner's Contribution equity account (an overall increase in equity). The journal entry looks like this.

Account	Debit	Credit	Explanation
Operating Account	XX		Cash inflow from owner
Owner's Contribution		XX	Increase in the overall owner's equity

**Distributions** - If the business owner takes cash out of the business you will see the Operating account decrease and the Owner's Distribution account increase (a reduction in overall equity). The journal entry will look like this.

Account	Debit	Credit	Explanation
Operating Account		XX	Cash outflow to owner
Owner's Distribution	XX		Decrease in overall owner's equity

In the examples above, the owner did not expect to have the amount contributed paid back and did not expect to pay back the amount withdrawn. If the owner planned to have the amount contributed paid back or to pay back the distribution amount then the journal entry to record the transaction would include an Owner Loan account, instead of the Owner Equity accounts.