

LESSON 8-1

Recording Adjusting Entries

ADJUSTING ENTRY FOR SUPPLIES

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ACCOUNT TITLE		ADJUSTMENTS	
		DEBIT	CREDIT
5	Supplies		(a) 715 00
17	Supplies Expense	(a) 715 00	

JOURNAL							PAGE 3
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL			
				DEBIT	CREDIT		
	<i>Adjusting Entries</i>						
20- Aug. 31	Supplies Expense			715 00			
	Supplies				715 00		

Supplies Expense			
Adj. (a)	715.00		

Supplies			
Bal.	1,025.00	Adj. (a)	715.00
(New Bal.)	310.00		

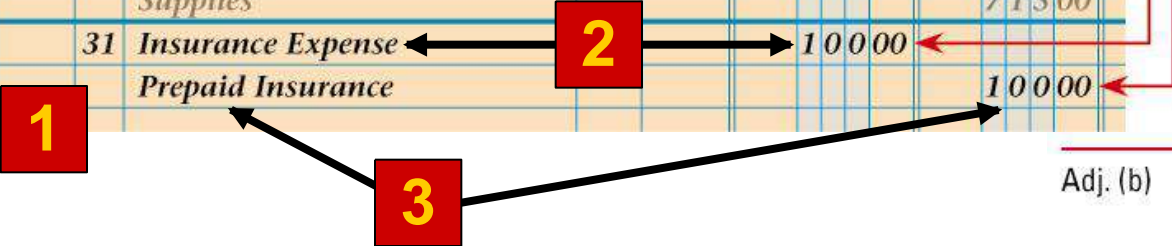
1. Write the heading.
2. Write the date.
3. Write the title of the account debited. Record the debit amount.
4. Write the title of the account credited. Record the credit amount.

ADJUSTING ENTRY FOR PREPAID INSURANCE

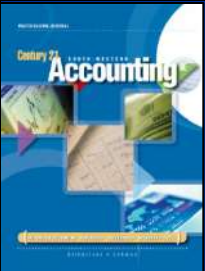
ACCOUNT TITLE		3	4
		ADJUSTMENTS	
		DEBIT	CREDIT
6	Prepaid Insurance		(b) 100 00
14	Insurance Expense	(b) 100 00	

1. Write the date.
2. Write the title of the account debited. Record the debit amount.
3. Write the title of the account credited. Record the credit amount.

JOURNAL							PAGE 3
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL			
				DEBIT	CREDIT		
	<i>Adjusting Entries</i>						
20- Aug. 31	Supplies Expense			715 00			
	Supplies				715 00		
	31 Insurance Expense			100 00			
	Prepaid Insurance				100 00		



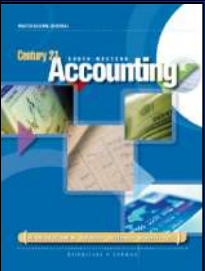
Insurance Expense			
Adj. (b)	100.00		
Prepaid Insurance			
Bal.	1,200.00	Adj. (b)	100.00
(New Bal.)	1,100.00		



TERM REVIEW

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- adjusting entries



LESSON 8-2

Recording Closing Entries

NEED FOR THE INCOME SUMMARY ACCOUNT

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Income Summary

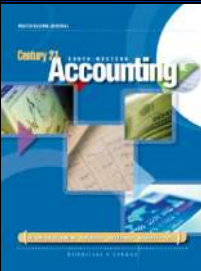
Debit
Total expenses

Credit
Revenue (greater than expenses)
(Credit balance is the net income.)

Income Summary

Debit
Total expenses (greater than revenue)
(Debit balance is the net loss.)

Credit
Revenue



CLOSING ENTRY FOR AN INCOME STATEMENT ACCOUNT WITH A CREDIT BALANCE

ACCOUNT TITLE		5	6
		INCOME STATEMENT	
		DEBIT	CREDIT
12	Sales		3 5 6 5 0 0

(Debit to close)

JOURNAL							PAGE 3
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL			
				DEBIT	CREDIT		
	<i>Closing Entries</i>						
31	Sales			3 5 6 5 0 0			
	Income Summary				3 5 6 5 0 0		

1. Write the heading.
2. Write the date.
3. Write the title of the account debited. Record the debit amount.
4. Write the title of the account credited. Record the credit amount.

Sales			
Closing	3,565.00	Bal.	3,565.00
		(New Bal. zero)	

Income Summary	
Closing (revenue)	3,565.00

CLOSING ENTRY FOR INCOME STATEMENT ACCOUNTS WITH DEBIT BALANCES

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ACCOUNT TITLE		5	6
		INCOME STATEMENT	
		DEBIT	CREDIT
13	<i>Advertising Expense</i>	213 00	
14	<i>Insurance Expense</i>	100 00	
15	<i>Miscellaneous Expense</i>	28 00	
16	<i>Rent Expense</i>	300 00	
17	<i>Supplies Expense</i>	715 00	
18	<i>Utilities Expense</i>	110 00	

1. Date
2. *Income Summary*
3. Credit
4. Debit amount

(Credit to close)

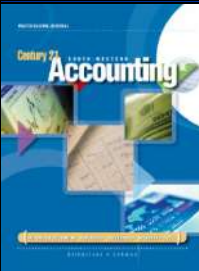
JOURNAL						PAGE 3
		1	2			
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		
				DEBIT	CREDIT	
31	<i>Income Summary</i>			1466 00		
10	<i>Advertising Expense</i>				213 00	
11	<i>Insurance Expense</i>				100 00	
12	<i>Miscellaneous Expense</i>				28 00	
13	<i>Rent Expense</i>				300 00	
14	<i>Supplies Expense</i>				715 00	
15	<i>Utilities Expense</i>				110 00	

1

2

4

3



CLOSING ENTRY TO RECORD NET INCOME OR LOSS AND CLOSE THE INCOME SUMMARY ACCOUNT

ACCOUNT TITLE	INCOME STATEMENT	
	DEBIT	CREDIT
19		
20 <i>Net Income</i>	146600	356500
21	209900	
22	356500	356500

1. Date
2. Debit
3. Credit

(Capital: credit to record net income)

JOURNAL						PAGE 3
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		
				DEBIT	CREDIT	
16 1 31	<i>Income Summary</i>			209900		
17	<i>Kim Park, Capital</i>				209900	
18						

(Income Summary: debit to close)

1

2

3

CLOSING ENTRY FOR THE OWNER'S DRAWING ACCOUNT

ACCOUNT TITLE		7	8
		BALANCE SHEET	
		DEBIT	CREDIT
9	<i>Kim Park, Capital</i>		5 000 00
10	<i>Kim Park, Drawing</i>	6 25 00	

1. Date
2. Debit
3. Credit

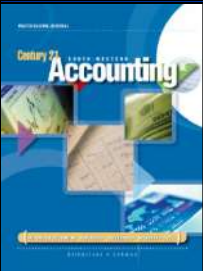
JOURNAL						PAGE 3	
		1	2	GENERAL			
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
18	31 <i>Kim Park, Capital</i>			6 25 00			
19	<i>Kim Park, Drawing</i>				6 25 00		
20							

(Credit to close)

1

2

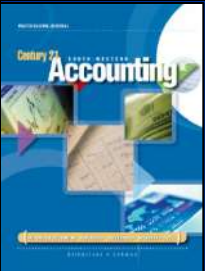
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TERMS REVIEW

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- permanent accounts
- temporary accounts
- closing entries



LESSON 8-3

Preparing a Post-Closing Trial Balance

GENERAL LEDGER ACCOUNTS AFTER ADJUSTING AND CLOSING ENTRIES ARE POSTED

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ACCOUNT <i>Cash</i>				ACCOUNT NO. 110			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 31		2	8315.00		8315.00		
31		2		3351.00	4964.00		

ACCOUNT <i>Prepaid Insurance</i>				ACCOUNT NO. 160			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 4		1	1200.00		1200.00		
31		3		100.00	1100.00		

ACCOUNT <i>Advertising Expense</i>				ACCOUNT NO. 510			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 14		1	78.00		78.00		
18		1	125.00		203.00		
31		2	10.00		213.00		
31		3		213.00			

ACCOUNT <i>Petty Cash</i>				ACCOUNT NO. 120			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 19		1	100.00		100.00		

ACCOUNT <i>Accounts Payable—Supply Depot</i>				ACCOUNT NO. 210			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 7		1		500.00		500.00	
11		1	300.00		300.00		

ACCOUNT <i>Insurance Expense</i>				ACCOUNT NO. 520			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 31		3	100.00		100.00		
31		3		100.00			

ACCOUNT <i>Accounts Receivable—Oakdale School</i>				ACCOUNT NO. 130			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 12		1	350.00		350.00		
18		1		200.00		150.00	

ACCOUNT <i>Accounts Payable—Thomas Supply Co.</i>				ACCOUNT NO. 220			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 20		1		50.00		50.00	

ACCOUNT <i>Miscellaneous Expense</i>				ACCOUNT NO. 530			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 31		2	20.00		20.00		
31		2	8.00		28.00		
31		3		28.00			

ACCOUNT <i>Accounts Receivable—Campus Internet Cafe</i>				ACCOUNT NO. 140			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 13		1	100.00		100.00		

ACCOUNT <i>Kim Park, Capital</i>				ACCOUNT NO. 310			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 1		1		5000.00		5000.00	
31		3		2099.00		7099.00	
31		3	625.00		625.00		

ACCOUNT <i>Rent Expense</i>				ACCOUNT NO. 540			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 12		1	3000.00		3000.00		
31		3		3000.00			

ACCOUNT <i>Supplies</i>				ACCOUNT NO. 150			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 3		1	275.00		275.00		
7		1	500.00		775.00		
20		1	50.00		825.00		
28		2	200.00		1025.00		
31		3		715.00	310.00		

ACCOUNT <i>Kim Park, Drawing</i>				ACCOUNT NO. 320			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 18		1	125.00		125.00		
31		2	500.00		625.00		
31		3		625.00			

ACCOUNT <i>Supplies Expense</i>				ACCOUNT NO. 550			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 31		3	715.00		715.00		
31		3		715.00			

ACCOUNT <i>Income Summary</i>				ACCOUNT NO. 330			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 31		3		3565.00		3565.00	
31		3	1466.00		1466.00		
31		3	2099.00		3565.00		

ACCOUNT <i>Utilities Expense</i>				ACCOUNT NO. 560			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 12		1	40.00		40.00		
27		2	70.00		110.00		
31		3		110.00			

ACCOUNT <i>Sales</i>				ACCOUNT NO. 410			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
Aug. 31		2		3565.00		3565.00	
31		3	3565.00		3565.00		

POST-CLOSING TRIAL BALANCE

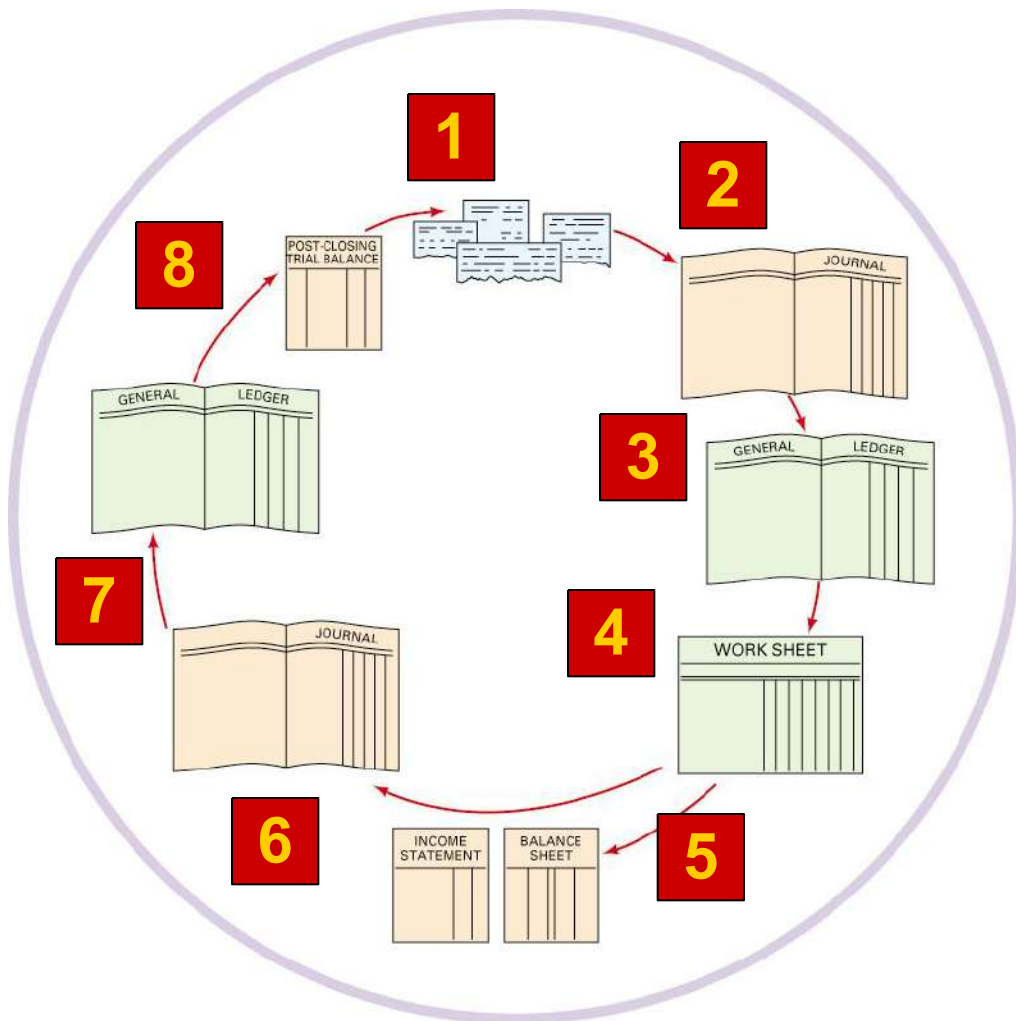
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TechKnow Consulting
Post-Closing Trial Balance
August 31, 20--

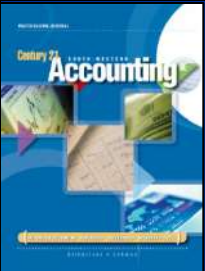
ACCOUNT TITLE	DEBIT	CREDIT
Cash	496400	
Petty Cash	10000	
Accounts Receivable—Oakdale School	15000	
Accounts Receivable—Campus Internet Cafe	10000	
Supplies	31000	
Prepaid Insurance	110000	
Accounts Payable—Supply Depot		20000
Accounts Payable—Thomas Supply Co.		5000
Kim Park, Capital		647400
Totals	672400	672400

1. Heading
2. Account titles
3. Account balances
4. Single rule
5. Compare totals
6. *Totals*
7. Record totals
8. Double rule

ACCOUNTING CYCLE FOR A SERVICE BUSINESS



1. Analyzes transactions
2. Journalize
3. Post
4. Prepare work sheet
5. Prepare financial statements
6. Journalize adjusting and closing entries
7. Post adjusting and closing entries
8. Prepare post-closing trial balance



TERMS REVIEW

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- post-closing trial balance
- accounting cycle