

Recording and Adjusting Closing Entries for a Service Business

Essential Understandings	<ul style="list-style-type: none">▪ The recording and adjusting entries from the worksheet brings individual account data up to date.▪ The recording of closing entries from the worksheet prepares the temporary accounts for the next fiscal period.
Essential Questions	<ul style="list-style-type: none">▪ Why are adjustments journalized and posted?▪ Where is the information obtained to journalize the adjusting entries?▪ Why are the temporary accounts closed at the end of the fiscal period?▪ Where is the information obtained to record the closing entries?▪ What is a closing entry?▪ Why is the income summary account important when journalizing closing entries?▪ What are the four closing entries?▪ What do the balances of the permanent accounts represent at the end of the fiscal period?▪ What is the importance of the post-closing trial balance?▪ How is the post-closing trial balance prepared?▪ Why are temporary accounts omitted from the post-closing trial balance?

<p>Essential Knowledge</p>	<ul style="list-style-type: none"> ▪ Adjustments made when completing the worksheets must be journalized in order to update the general ledger accounts. ▪ At the end of the fiscal period, the temporary accounts (ICE) need to be closed. Permanent accounts (ALOE) remain open. ▪ The post-closing trial balance is prepared after the adjusting and closing entries are posted to the general ledger. ▪ The post-closing trial balance is the final step in completing the accounting cycle for a service business. ▪ The information from the worksheet is used to record the adjustment of the closing entries. ▪ A closing entry is an entry to the journal used to prepare temporary accounts for a new fiscal period. ▪ The income summary account is used to summarize the closing entries for revenues and expense accounts. ▪ The four closing entries are: <ul style="list-style-type: none"> ○ All revenue accounts. ○ All expense accounts. ○ The income summary account (net income or loss). ○ The owner's drawing account. ▪ The balances of the permanent accounts for the net fiscal period represent the new period's beginning balance. ▪ The post-closing trial balance is completed to prove the equality of debits and credit at the close of the fiscal period. ▪ The post-closing trial balance is prepared by completing the following steps: <ul style="list-style-type: none"> ○ Heading. ○ List all account titles that have a balance (ALOE). ○ Write the balance of the accounts in the appropriate column. ○ Single rule. ○ Add the amount balances and insert the totals. ○ Compare the totals (debits = credits). ○ Double rule the column amounts. ▪ Only permanent accounts are listed on the post-closing trial balance. Temporary accounts have been closed and have a zero balance.
<p>Vocabulary</p>	<ul style="list-style-type: none"> ▪ <u>Terms:</u> <ul style="list-style-type: none"> ○ adjusting entries, permanent accounts, temporary accounts, closing entries, post-closing trial balance, accounting cycle
<p>Essential Skills</p>	<ul style="list-style-type: none"> ▪ Define accounting terms related to adjusting and closing entries for a service business organized as a proprietorship. ▪ Identify accounting concepts and practices related to adjusting and closing entries for a service business organized as a proprietorship. ▪ Record adjusting and closing entries. ▪ Prepare a post-closing trial balance.

<p>Related Maine Learning Results</p>	<p><u>Career and Education Development</u> A. Learning About Self and Interpersonal Relationships A4.Career and Life Roles Students demonstrate and evaluate successful strategies for accomplishing tasks, balancing career and life roles, and reducing stress in a variety of school, work, and community settings. a. Time management b. Goal-setting c. Resource management B. Learning About and Exploring Education, Career, and Life Roles B2.Skills for Individual/Personal Success in the 21st Century Students evaluate strategies to improve skills that lead to lifelong learning and success in the classroom, and the achievement of schoolwork, work and career, and personal life goals. a. Literacy skills b. Numeracy c. Critical thinking skills d. Information and communication technology (ICT) literacy e. Interpersonal skills f. Other academic skills and knowledge B3.Education and Career Information Students use previously acquired knowledge and skills to evaluate and utilize a variety of resources to articulate a plan and make decisions for post-secondary education, training, and career choices.</p>
<p>Sample Lessons And Activities</p>	<ul style="list-style-type: none"> ▪ Complete the end of the fiscal year activities ▪ Study Guide
<p>Sample Classroom Assessment Methods</p>	<ul style="list-style-type: none"> ▪ Test ▪ Quiz ▪ Class Work ▪ Homework
<p>Sample Resources</p>	<ul style="list-style-type: none"> ▪ <u>Publications:</u> <ul style="list-style-type: none"> ○ <u>Century 21 Accounting</u> – Southwest Cengage Learning