

Accounting I

Chapter 8

ADJUSTING AND CLOSING ENTRIES FOR A SERVICE BUSINESS

Review: Summative Assessment (Ch. 7 Quiz)

Accounting Concept: *Accounting Period Cycle*

Assign Students to Read Ch. 8 and complete the terms p. 200

(Students may hand-write them on handout or do on word processor)

Discuss Section 8-1: Recording Adjusting Entries

Adjusting Entries--Journal entries recorded to update general ledger accounts at the end of a fiscal period.

- Recorded on next journal page following last transactions
- Recorded in general debit and general credit columns of journal
- Get information from adjustments column of worksheet
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2 Adjusting Entries are Recorded

Supplies

D-Supplies Expense

C-Supplies

Prepaid Insurance

D-Insurance Expense

C-Prepaid Insurance

Steps to Record Adjusting Entries:

1. Heading (Adjusting Entries) in middle of account title column
2. Date (last day of fiscal period)
3. Debit
4. Credit
5. Post

Practice: Complete Work Together/On Your Own p. 205

Assign: Application 8-1

Discuss Section 9-2: Recording Closing Entries

Permanent Accounts--accounts used to accumulate information from one fiscal period to the next. (asset/liability/owner equity)

Temporary Accounts--accounts used to accumulate information until it is transferred to the owner's capital account (revenue/expense/drawing/income summary)

Closing Entries--journal entries used to prepare temporary accounts for a new fiscal period--zero balance. To close a temporary account, an amount equal to its balance is recorded in the side opposite its balance.

Income Summary--used to summarize the closing entries for the revenue and expense accounts.

4 Closing Entries

1. Close income statement accounts with credit balances.
2. Close income statement accounts with debit balances.
3. Close Income summary account.
4. Close Drawing account.

Practice: Complete Work Together/On Your Own 8-2

Assign: Application Problem 8-22 p. 217

Discuss Section 8-3: Preparing a Post-Closing Trial Balance

Post-Closing Trial Balance--A trial balance prepared after the closing entries are posted.

- Include only accounts with balances (permanent accounts).
- Total Debits must equal total credits.

Steps to Prepare:

1. Heading
2. Account Titles
3. Account Balances
4. Single Rule
5. Total
6. Debits = Credits
7. Double Rule

Steps in Accounting Cycle p. 217

Practice: Complete Work Together/On Your Own 8-3
Assign: Application Problem 8-3 p

Assign Mastery Problem 8-4

Prepare for Summative Assessment:

Complete Study Guide 8

Review for Exam-Practice Test

Summative Assessment--Ch. 8 Quiz--Concept & Application

Reinforcement: Complete Reinforcement Activity 1--Part B