

Visualizing Closing Entries:

Materials needed:

A small piece of compressed sponge labeled expenses
A quart size measuring pitcher labeled income summary
3 clear plastic or glass drinking (8 oz works best) cups labeled owner's equity, drawing and revenue.

Procedures:

Fill the owner's equity and revenue cups with varying amounts of water. Use a full revenue cup to illustrate net income or one-third cup of revenue to illustrate net loss.

Empty the "revenue into the "income summary" to illustrate closing entry number one. Point out that the revenue account is now empty and its balance has been transferred into the income summary account.

Drop the expenses sponge into income summary to illustrate closing entry number two. Point out that the expenses absorb part of the revenue and leave net income in the pitcher.

To illustrate closing entry number three, empty income summary which now contains the net income into the cup labeled owner's equity. Ask students what effect net income had on the owner's equity account

For closing entry four, pour part of the owner's equity account into the drawing account to illustrate the part of owner's equity that the owner has already withdrawn for himself.

Follow up the demonstration by immediately conducting a closing entry problem with your students. Stress how each entry you illustrated actually gets recorded in the journal.

