



# ENDING THE ACCOUNTING CYCLE

P R E P A R E D   B Y :   L U I S   M E I N G

## OBJECTIVES:

01

**Closing Entries**

02

**Creation of the Post Closing Trial Balance**

03

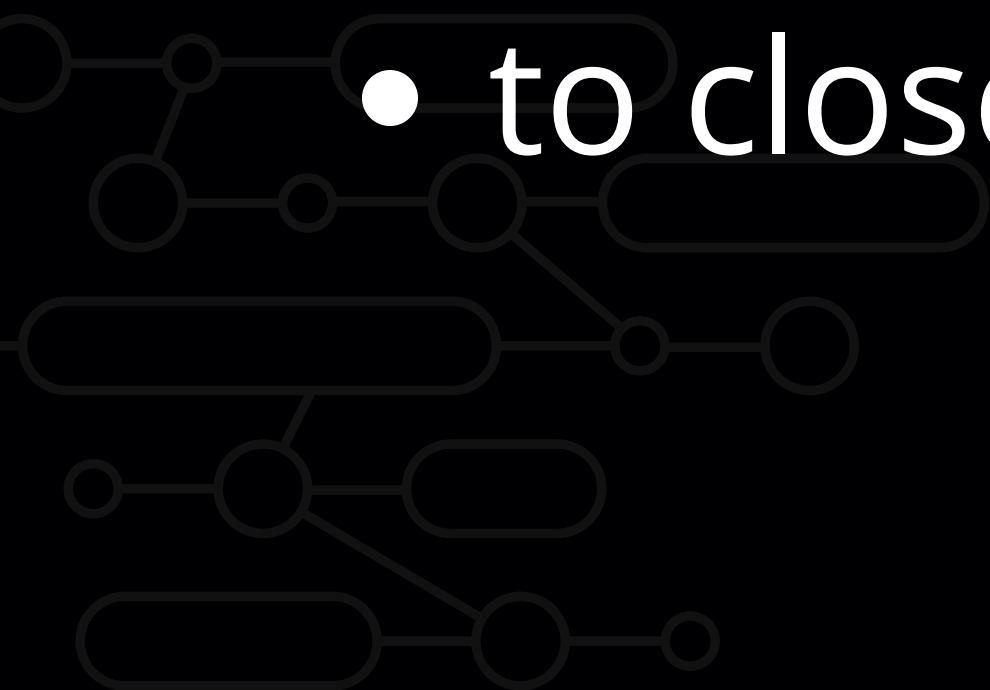
**Reversing Entries**



# Closing Entries



- made at the end of a period
- to close temporary accounts (REID)

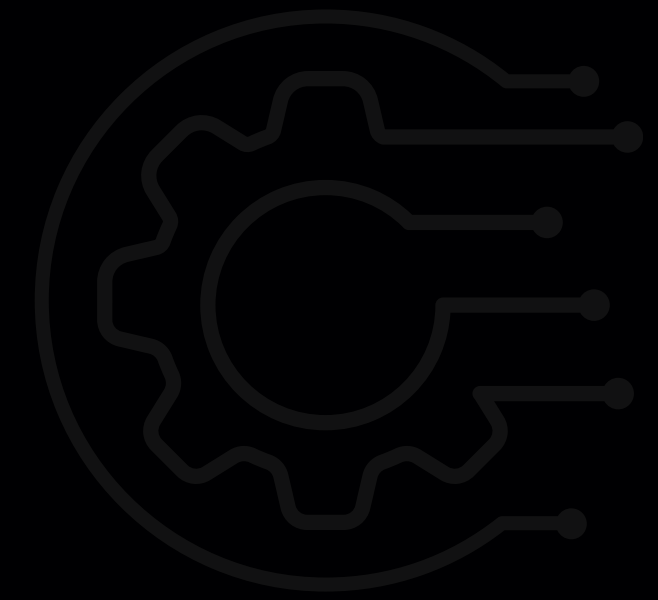


# Closing Entries



REID
Revenue
Expenses
Income Summary
Drawing





# Closing Entries Steps

- 1: Close the Revenue Accounts
- 2: Close the Expense Accounts
- 3: Close the Income Summary to the Capital Accounts
- 4: Close drawing accounts to the Capital Accounts



## 1.1 Closing Entries

# Closing Entries Steps

ABC Co.  
Worksheet  
As of Dec. 4, 2023

Accounts	ATB	
	dr	cr
Accumulated Dep		5,100,000.00
Building	7,000,000.00	
Cash	5,120,000.00	
Invty	1,000,000.00	
Land	2,000,000.00	
Office Eqpt	1,500,000.00	
Prepaid Ins	200,000.00	
Salaries Payable		1,000.00
Common Stock		11,149,000.00
Sales		5,000,000.00
COGS	4,000,000.00	
Salaries Exp	30,000.00	
Ins Exp	300,000.00	
Total UTB		
Dep Exp	100,000.00	
Total Adj		
Total ATB	21,250,000.00	21,250,000.00

# 1: Close the Revenue Accounts

Date	Description	Dr	Cr
04/12/202x	Sales	5,000,000.00	
	Income Summary		5,000,000.00
	To close rev. to inc. sum.		

# 2: Close the Expense Accounts

Date	Description	Dr	Cr
04/12/202x	Income Summary	4,430,000.00	
	COGS		4,000,000.00
	Sal. Exp.		30,000.00
	Ins. Exp.		300,000.00
	Dep. Exp.		100,000.00
	To close exp. to inc. sum.		



# 3: Close the Income Summary to the Capital Accounts

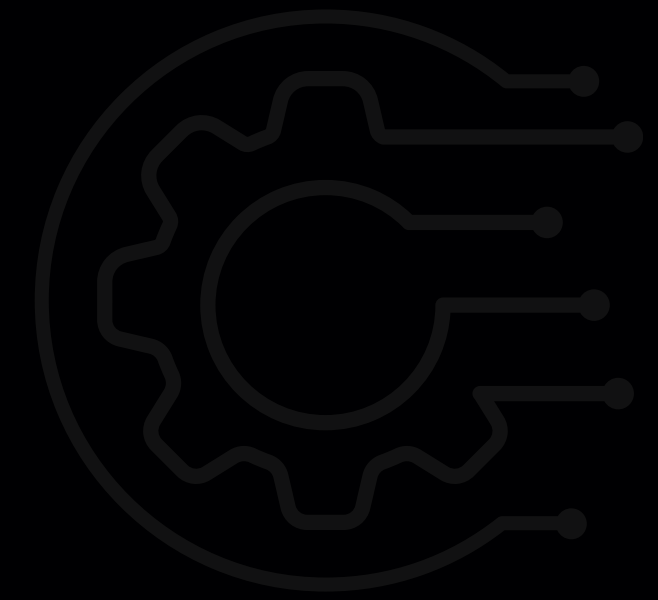
Date	Description	Dr	Cr
04/12/202x	Income Summary Common Stock/Retained Earnings To close inc. sum. to capital	570,000.00	570,000.00

# 4: Close drawing accounts to the Capital Accounts

Date	Description	Dr	Cr
04/12/202x	Common Stock Drawing To close inc. sum. to capital	xxx	xxx

## 2.1 Creation of the Post Closing Trial Balance

# Creation of the Post Closing Trial Balance



- is actually the ATB but with adjustments to the capital



## 2.1 Creation of the Post Closing Trial Balance

ABC Co.  
Worksheet  
As of Dec. 4, 2023

Accounts	ATB		PCTB	
	dr	cr	dr	cr
Accumulated Dep		5,100,000.00		5,100,000.00
Building	7,000,000.00		7,000,000.00	
Cash	5,120,000.00		5,120,000.00	
Invty	1,000,000.00		1,000,000.00	
Land	2,000,000.00		2,000,000.00	
Office Eqpt	1,500,000.00		1,500,000.00	
Prepaid Ins	200,000.00		200,000.00	
Salaries Payable		1,000.00		1,000.00
Common Stock		11,149,000.00		11,719,000.00
Sales		5,000,000.00		
COGS	4,000,000.00			
Salaries Exp	30,000.00			
Ins Exp	300,000.00			
Total UTB				
Dep Exp	100,000.00			
Total Adj				
Total ATB	21,250,000.00	21,250,000.00		
Total			16,820,000.00	16,820,000.00

## 2.1 Creation of the Post Closing Trial Balance

ABC Co.  
Worksheet  
As of Dec. 4, 2023

Accounts	UTB		Adjustments		ATB		Income Statement		Balance Sheet		PCTB	
	dr	cr	dr	cr	dr	cr	dr	cr	dr	cr	dr	cr
Accumulated Dep		5,000,000.00		100,000.00		5,100,000.00				5,100,000.00		5,100,000.00
Building	7,000,000.00				7,000,000.00				7,000,000.00		7,000,000.00	
Cash	5,120,000.00				5,120,000.00				5,120,000.00		5,120,000.00	
Invty	1,000,000.00				1,000,000.00				1,000,000.00		1,000,000.00	
Land	2,000,000.00				2,000,000.00				2,000,000.00		2,000,000.00	
Office Eqpt	1,500,000.00				1,500,000.00				1,500,000.00		1,500,000.00	
Prepaid Ins	250,000.00			50,000.00	200,000.00				200,000.00		200,000.00	
Salaries Payable				1,000.00		1,000.00				1,000.00		1,000.00
Common Stock		11,149,000.00				11,149,000.00				11,149,000.00		11,719,000.00
Sales		5,000,000.00				5,000,000.00		5,000,000.00				
COGS	4,000,000.00				4,000,000.00		4,000,000.00					
Salaries Exp	29,000.00		1,000.00		30,000.00		30,000.00					
Ins Exp	250,000.00		50,000.00		300,000.00		300,000.00					
Total UTB	21,149,000.00	21,149,000.00										
Dep Exp			100,000.00		100,000.00		100,000.00					
Total Adj			151,000.00	151,000.00								
Total ATB					21,250,000.00	21,250,000.00						
Total							4,430,000.00	5,000,000.00	16,820,000.00	16,250,000.00	16,820,000.00	16,820,000.00
Net Income							570,000.00			570,000.00		
Balance Sheet									16,820,000.00	16,820,000.00		

# Reversing Entries



- is optional and is the last step
- is usually the accrued and deferred revenues and expenses
- done at the beginning of the next period

