

LESSON 8-2

Recording Closing Entries

NEED FOR THE INCOME SUMMARY ACCOUNT

page 207

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

page 208

ACCOUNT TITLE
12 Sales

INCOME STATEMENT	
DEBIT	CREDIT
	3 5 6 5 0 0

(Debit to close)

JOURNAL							PAGE 3
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL			
				DEBIT	CREDIT		
	1 Closing Entries						
2 31	Sales			3 5 6 5 0 0			
	Income Summary				3 5 6 5 0 0		

- Write the heading.
- Write the date.
- Write the title of the account debited. Record the debit amount.
- 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

page 209

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

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

(Credit to close)

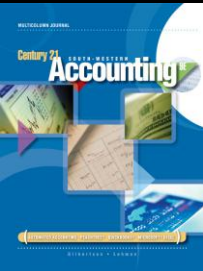
JOURNAL						PAGE 3
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		
				DEBIT	CREDIT	
31	Income Summary			1466 00		
10	Advertising Expense				213 00	
11	Insurance Expense				100 00	
12	Miscellaneous Expense				28 00	
13	Rent Expense				300 00	
14	Supplies Expense				715 00	
15	Utilities Expense				110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

1

2

4

3



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

ACCOUNT TITLE		5	6
		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	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

page 211

1. Date
2. Debit
3. Credit

ACCOUNT TITLE	
9	<i>Kim Park, Capital</i>
10	<i>Kim Park, Drawing</i>

BALANCE SHEET	
DEBIT	CREDIT
	5 000 000
6 25 00	

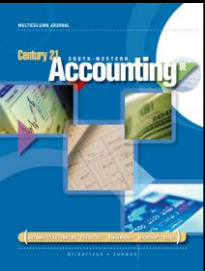
(Credit to close)

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

1

2

3



TERMS REVIEW

page 212

- permanent accounts
- temporary accounts
- closing entries