



# Accounting Notes

## Worksheet, Closing Entries

### Completing the Worksheet:

- Step 1: List the accounts and enter their balances from the general ledger into the appropriate trial balance column (Dr or Cr). Total both columns.
- Step 2: Enter in the amounts for the adjustments. Each adjustment should contain at least one debit entry and at least one credit entry, just as if you were entering these adjustments in a journal. Total both columns.
- Step 3: Carry the balances from the Trial Balance columns to the Adjusted Trial Balance if there is no adjustment for the account. If an account has an adjustment then either add or subtract the adjustment to get the adjusted balance for the account. Total both columns.

Tip on knowing when to add or subtract:

- (1) If the Trial Balance amount and the Adjustment amount are both in the same columns (Dr & Dr, or Cr & Cr) then add the amounts together.
  - (2) If the Trial Balance amount and the Adjustment amount are in difference columns (Dr & Cr, or Cr & Dr) then subtract the amounts and enter the result in the column that has the larger amount (Dr or Cr).
- Step 4: Carry the balances for all of your revenue and expense accounts to the Income Statement columns. Total both columns. **Note:** These columns won't balance because the difference between the columns represents your Net Income or Loss.
- Step 5: Carry the balances for all other accounts (assets, liabilities, and owners equity) to the Balance Sheet columns. Total both of these columns. **Note:** The difference between the columns should be the same as the difference between the Income Statement columns. If they are not the same then you have made a mistake.
- Step 6: Enter in the difference between the Dr and Cr columns under the column which has the smaller balance for both the Income Statement and Balance Sheet. Total these four columns again. The Dr and Cr column totals should balance now on both the Income Statement and the Balance Sheet.

Tip:

- (1) If there is a Net Income, then you should have the difference entered in the Dr column of the Income Statement and in the Cr column of the Balance Sheet.
- (2) If there is a Net Loss, then you should have the difference entered in the Cr column of the Income Statement and in the Dr column of the Balance Sheet.

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## Worksheet, Closing Entries

Closing Entries:

The information needed to complete the closing entries can be obtained from the Income Statement and Balance Sheet columns of the worksheet. These entries are made at the end of each accounting period.

The closing entry process consists of four journal entries:

- (1) Close all revenue accounts - by debiting your revenue account and crediting Income Summary.

Revenue Account Income Summary	Total Revenue Total Revenue
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- (2) Close all expense accounts - by debiting Income Summary and crediting each individual expense account.

Income Summary Rent Expense . . . Misc. Expense	Total Expenses Account balance . . . Account balance
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- (3) Close the Income Summary account - by either debiting Income Summary and crediting the Capital account if there is a Net Income or by debiting the Capital account and crediting Income Summary if there is a Net Loss.

Income Summary Owner, Capital	Net Income Net Income
Owner, Capital Income Summary	Net Loss Net Loss

- (4) Close the withdrawals account - by debiting the Capital account and crediting the Withdrawals account.

Owner, Withdrawals Owner, Capital	Withdrawals acct bal. Withdrawals acct bal.
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