


Chapter 8

Recording Adjusting and Closing Entries for a Service Business

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Objectives

1. Define accounting terms related to adjusting and closing entries for a service business organized as a proprietorship.
2. Identify accounting concepts and practices related to adjusting and closing entries for a service business organized as a proprietorship.


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Objectives (con't)

3. Record adjusting entries for a service business organized as a proprietorship.
4. Record closing entries for a service business organized as a proprietorship.
5. Prepare a post-closing trial balance for a service business organized as a proprietorship.

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LESSON 8-1

Recording Adjusting Entries

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Accounting

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ADJUSTING ENTRY FOR SUPPLIES

page 202

ACCOUNT TITLE		ADJUSTMENTS	
		DEBIT	CREDIT
5	Supplies		(a) 715.00
17	Supplies Expense	(a) 715.00	

JOURNAL						PAGE 3	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL			
				DEBIT	CREDIT		
Adjusting Entries							
1							
2	Aug. 31			Supplies Expense	715.00		
3				Supplies		715.00	

Supplies Expense	
Adj. (a)	715.00

Supplies	
Bal.	1,025.00
(New Bal.)	310.00
Adj. (a)	715.00

1. Write the heading.

2. Write the date.

3. Write the title of the account debited. Record the debit amount.

4. Write the title of the account credited. Record the credit amount.

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LESSON 8-1

Accounting

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ADJUSTING ENTRY FOR PREPAID INSURANCE

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ACCOUNT TITLE		ADJUSTMENTS	
		DEBIT	CREDIT
6	Prepaid Insurance		(b) 100.00
14	Insurance Expense	(b) 100.00	

JOURNAL						PAGE 3	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL			
				DEBIT	CREDIT		
Adjusting Entries							
1							
2	Aug. 31			Supplies Expense	715.00		
3				Supplies		715.00	
4	31			Insurance Expense	100.00		
5				Prepaid Insurance		100.00	

Insurance Expense	
Adj. (b)	100.00

Prepaid Insurance	
Bal.	1,200.00
(New Bal.)	1,100.00
Adj. (b)	100.00


1. Write the date.

2. Write the title of the account debited. Record the debit amount.

3. Write the title of the account credited. Record the credit amount.

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LESSON 8-1




Application

Application Problem 8-1 (pg. 221)

http://www.quia.com/files/quia/users/pcarter9/Wk5_Ch8/Ch-8_Five-Column-General-Journal_Application-Problems-1_2_Pg-221

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LESSON 8-2

Recording Closing Entries

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Accounting

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NEED FOR THE INCOME SUMMARY ACCOUNT

page 207

Income Summary	
Debit	Credit
Total expenses	Revenue (greater than expenses) (Credit balance is the net income.)

Income Summary	
Debit	Credit
Total expenses (greater than revenue) (Debit balance is the net loss.)	Revenue

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LESSON 8-1

Accounting

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CLOSING ENTRY FOR AN INCOME STATEMENT ACCOUNT WITH A CREDIT BALANCE

page 208

ACCOUNT TITLE		INCOME STATEMENT	
		DEBIT	CREDIT
12	Sales		3,565.00 (Debit to close)

JOURNAL						PAGE 3	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL			
				DEBIT	CREDIT		
	Closing Entries						
31	Sales			3,565.00			
	Income Summary				3,565.00		

1. Write the heading.

2. Write the date.

3. Write the title of the account debited.
Record the debit amount.

4. 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

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Accounting

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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	
	Advertising Expense					213.00
	Insurance Expense					100.00
	Miscellaneous Expense					28.00
	Rent Expense					300.00
	Supplies Expense					715.00
	Utilities Expense					110.00

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LESSON 8-1

Accounting

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

page 210

ACCOUNT TITLE		INCOME STATEMENT	
		DEBIT	CREDIT
19		1466.00	3565.00
20	Net Income	2099.00	
21		3565.00	3565.00
22			

1. Date

2. Debit

3. Credit


(Capital: credit to record net income)

(Income Summary: debit to close)

JOURNAL					PAGE 3	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL	DEBIT	CREDIT
31	Income Summary				2099.00	
	Kim Park, Capital					2099.00

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LESSON 8-1



CLOSING ENTRY FOR THE OWNER'S DRAWING ACCOUNT

page 211

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ACCOUNT TITLE	
9	Kim Park, Capital
10	Kim Park, Drawing

BALANCE SHEET	
DEBIT	CREDIT
	500000
62500	

1. Date

2. Debit


3. Credit

(Credit to close)

JOURNAL						PAGE 3
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		
				DEBIT	CREDIT	
31	Kim Park, Capital			62500		
	Kim Park, Drawing				62500	

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LESSON 8-1



Application

Application Problem 8-2


(pg. 221)

http://www.quia.com/files/quia/users/pcarter9/Wk5_Ch8/Ch-8_Five-Column-General-Journal_Application-Problems-1_2_Pg-221

and

http://www.quia.com/files/quia/users/pcarter9/Wk5_Ch8/Ch-8_Application-Problem-2_General-Ledger-Accts_Pg-221


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LESSON 8-3

Preparing a
Post-Closing
Trial Balance


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GENERAL LEDGER ACCOUNTS AFTER
ADJUSTING AND CLOSING ENTRIES ARE
POSTED

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LESSON 8-1

Accounting

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POST-CLOSING TRIAL BALANCE

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TechKnow Consulting		
Post-Closing Trial Balance		
August 31, 20--		
ACCOUNT TITLE	DEBIT	CREDIT
Cash	4964.00	
Petty Cash	100.00	
Accounts Receivable—Oakdale School	150.00	
Accounts Receivable—Campus Internet Cafe	100.00	
Supplies	310.00	
Prepaid Insurance	1100.00	
Accounts Payable—Supply Depot		200.00
Accounts Payable—Thomas Supply Co.		50.00
Kim Park, Capital		6474.00
Totals	6724.00	6724.00

1. Heading

2. Account titles

3. Account balances

4. Single rule

5. Compare totals

6. Totals

7. Record totals

8. Double rule

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Accounting

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ACCOUNTING CYCLE FOR A SERVICE BUSINESS

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1

2

3

4

5

6

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GENERAL LEDGER

JOURNAL

WORK SHEET

INCOME STATEMENT

BALANCE SHEET

GENERAL LEDGER

JOURNAL

POST-CLOSING TRIAL BALANCE

1. Analyzes transactions

2. Journalize

3. Post

4. Prepare work sheet


5. Prepare financial statements

6. Journalize adjusting and closing entries

7. Post adjusting and closing entries

8. Prepare post-closing trial balance

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TERM REVIEW

pages 205, 212, 219

- adjusting entries
- permanent accounts
- temporary accounts
- closing entries
- post-closing trial balance
- accounting cycle

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LESSON 8-1


Accounting
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Application

Application Problem 8-3
(pg. 222)

http://www.quia.com/files/quia/users/pcarter9/Wk5_Ch8/Ch-8_Application-Problem-3_Pg-222

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Homework

1.1 Application Problems

- Review problems completed in class.
- Use available interactive e-workpapers to complete application problems not worked in class.
- No Chapter 8 application problems are due this week.

1.2 Mastery Problem 8-4 (p. 222)

Sect. 3A – Due 07/05/07
Sect. 5B – Due 07/03/07

1.3 Quiz – Chapter 8

- Sect. 3A – Due 07/05/07
Sect. 5B – Due 07/03/07
- Email quiz results to Instructor (pcarter9@mcneb.edu) and to yourself.


1.4 Exam 2 (Chapters 6 – 8), 100 points, 75 minutes

Sect. 3A – Sat, 07/07/07
Sect. 5B – Sat, 07/05/07

Congratulations ! You have made it through

- Chapter 8,
- Section 1
- Halfway through the book !

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LESSON 8-1



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REMINDER:

EXAM #2

CHAPTERS 6 THROUGH 8

SECT. 3A – SATURDAY, 07/07/07

SECT. 5B – THURSDAY, 07/05/07

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