Accounting I Chapter 8 ADJUSTING AND CLOSING ENTRIES FOR A SERVICE BUSINESS

Review: Summative Assessment (Ch. 7 Quiz)
Accounting Concept: Accounting Period Cycle
Assign Students to Read Ch. 8 and complete the terms p. 200
(Students may hand-write them on handout or do on word processor)

Discuss Section 8-1: Recording Adjusting Entries

<u>Adjusting Entries</u>--Journal entries recorded to update general ledger accounts at the end of a fiscal period.

- Recorded on next journal page following last transactions
- Recorded in general debit and general credit columns of journal
- Get information from adjustments column of worksheet

2 Adjusting Entries are Recorded Supplies

D-Supplies Expense

C-Supplies

Prepaid Insurance

D-Insurance Expense

C-Prepaid Insurance

Steps to Record Adjusting Entries:

- 1. Heading (Adjusting Entries) in middle of account title column
- 2. Date (last day of fiscal period)
- 3. Debit
- 4. Credit
- 5. Post

Practice: Complete Work Together/On Your Own p. 205

Assign: Application 8-1

Discuss Section 9-2: Recording Closing Entries

<u>Permanent Accounts</u>--accounts used to accumulate information from one fiscal period to the next. (asset/liability/owner equity)

<u>Temporary Accounts</u>--accounts used to accumulate information until it is transferred to the owner's capital account (revenue/expense/drawing/income summary)

<u>Closing Entries</u>--journal entries used to prepare temporary accounts for a new fiscal period--zero balance. To close a temporary account, an amount equal to its balance is recorded in the side opposite its balance.

<u>Income Summary</u>--used to summarize the closing entries for the revenue and expense accounts.

4 Closing Entries

- 1. Close income statement accounts with credit balances.
- 2. Close income statement accounts with debit balances.
- 3. Close Income summary account.
- 4. Close Drawing account.

Practice: Complete Work Together/On Your Own 8-2

Assign: Application Problem 8-22 p. 217

Discuss Section 8-3: Preparing a Post-Closing Trial Balance

Post-Closing Trial Balance--A trial balance prepared after the closing entries are posted.

- Include only accounts with balances (permanent accounts).
- Total Debits must equal total credits.

Steps to Prepare:

- 1.Heading
- 2. Account Titles
- 3. Account Balances
- 4. Single Rule
- 5.Total
- 6. Debits = Credits
- 7. Double Rule

Steps in Accounting Cycle p. 217

Practice: Complete Work Together/On Your Own 8-3

Assign: Application Problem 8-3 p

Assign Mastery Problem 8-4

Prepare for Summative Assessment:
Complete Study Guide 8
Review for Exam-Practice Test
Summative Assessment--Ch. 8 Quiz--Concept & Application

Reinforcement: Complete Reinforcement Activity 1--Part B