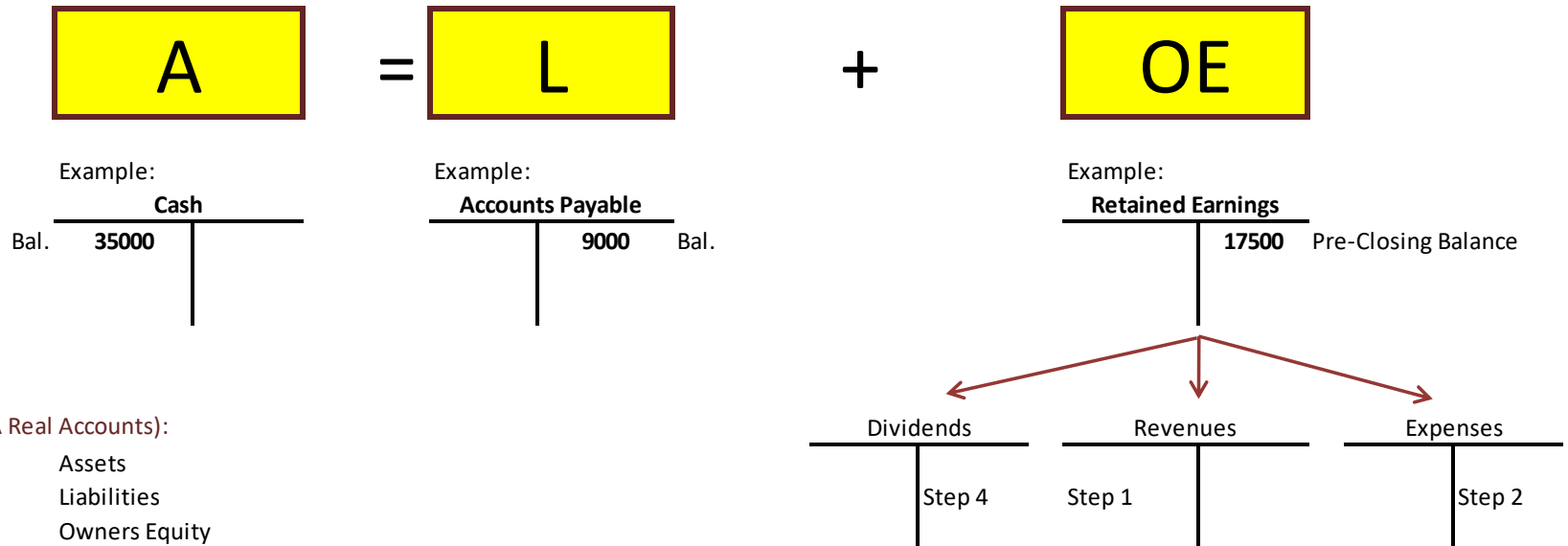


Closing Process



Permanent Accounts (AKA Real Accounts):

Assets
Liabilities
Owners Equity

Temporary Accounts (AKA Nominal Accounts):

Revenues
Expenses
Income Summary (a clearing account) (AKA Revenue and Expense Summary, Profit and Loss Summary, Income and Expense Summary)
Dividends

Closing Process - 4 steps

Step 1: Close Revenue Accounts
Step 2: Close Expense Accounts
Step 3: Close Income Summary
Step 4: Close Drawings (AKA Withdrawals)

Example: AAA Landscaping, Inc.

for the month ended June 30

Adjusted Trial Balance

Account	Dr.	Cr.
Cash	60,000	
Accounts Receivable	8,000	
Supplies	1,200	
Prepaid Insurance	2,800	
Prepaid Rent	2,500	
Land	30,000	
Office Equipment	25,000	
Accumulated Depreciation		9,000
Accounts Payable		9,000
Wages Payable		3,000
Unearned Audit Fees		15,000
Unearned Tax Fees		10,000
Common Stock		25,000
Retained Earnings		17,500
Dividends	5,000	
Landscaping Service Revenue		38,000
Fencing Revenue		49,000
Wage Expense	33,450	
Rent Expense	1,250	
Depreciation Expense	3,000	
Utility Expense	1,200	
Supplies Expense	800	
Insurance Expense	600	
Miscellaneous Expense	700	
	175,500	175,500

General Journal

Date	Account	Dr.	Cr.
Step 1 30-Jun	Landscaping Service Revenue	38,000	
	Fencing Revenue	49,000	
	Income Summary		87,000
	Close Revenue Accts		
Step 2 30-Jun	Income Summary	41,000	
	Wages Expense		33,450
	Rent Expense		1,250
	Depreciation Expense		3,000
	Utility Expense		1,200
	Supplies Expense		800
	Insurance Expense		600
	Miscellaneous Expense		700
	Close Expense Accts		
Step 3 30-Jun	Income Summary (87,000-41,000)	46,000	
	Retained Earnings		46,000
	Close Income Summary		
Step 4 30-Jun	Retained Earnings	5,000	
	Dividends		5,000
	Close Drawings		

Post-Closing Category Totals

Total Assets		120,500
Total Liabilities	37,000	
Total Stockholder's Equity	83,500	
Total Liabilities & Owners Equity		120,500

Income Summary	
Closed Expenses	41000
	87000
	46000
	46000
	0

Closed Revenues

Net Income

Retained Earnings	
sed Dividends	5000
	17500
	46000
	58500

Pre-Closing Balance

Post-Closing Balance

Total Stockholder's Equity = Retained Earnings + Common Stock