

Accounting 212

Unit six: Closing Entries for Temporary Accounts



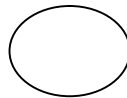
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الرقم التسلسلي



Rules of debit and credit:

Assets, Expenses, Drawings

Debit ↑ Balance	Credit ↓
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Liabilities, Owner's Capital, Revenues

Debit ↓	Credit ↑ Balance
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Chapter Tow: Closing Entries for Temporary Accounts

Type of accounts:

Temporary accounts (Nominal)	Permanent account (Real)
All revenue: such as S. revenue - Sales - Purchase discount.	All assets account
All expenses: such as Rent – Purchase - Sales discount...	All liabilities accounts
Drawings account	Capital account

Temporary Accounts: which they accumulated the transactions of only one accounting period.

Closing: at the end of the accounting period, the changes in owner's equity accumulated in this temporary account are transferred into the capital account

Steps of preparing Closing entries:

1. Closing Revenues accounts by post balance to Income summary account.

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2. Closing Expenses accounts by post Balance to Income summary account.

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3. Closing Income summary account by post Balance to Capital account.

(Profit)

or

(Loss)

4. Closing Drawing account by post Balance to Capital account

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2. General Ledger:

Service Revenue Account

Date	Explanation	PR	Debit	Credit	Balance
Dec. 31					25,820

Drawings Account

Date	Explanation	PR	Debit	Credit	Balance
Dec. 31					735

Capital Account

Date	Explanation	PR	Debit	Credit	Balance
Dec. 31					85,875

Income Summary Account

Date	Explanation	PR	Debit	Credit	Balance

3.

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Account Title	Debit	Credit

2. General Ledger:

Sales Account

Date	Explanation	JF	Debit	Credit	Balance
Dec. 31					5,800

Purchase Account

Date	Explanation	J F	Debit	Credit	Balance
Dec. 31					2,000

Capital Account

Date	Explanation	JF	Debit	Credit	Balance
Dec. 31					21,700

Income Summary Account

Date	Explanation	J F	Debit	Credit	Balance

3.

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Account Title	Debit	Credit

Exercise 3:

Complete the following Closing Entries for MTCL Company, for the Period ended 31st Dec. 2009:

General Journal				
Date		Explanation	Debit	Credit
			BD	BD
Dec.	31	Fees earned	8,000	
				8,000
	31		1,350	
		Wages Expense		
		Supplies Expense		750
	31			
		Capital Account		
	31		950	
		Drawings Account		950

Exercise 4:

From the Following Trial Balance of Eman Advertising Agency you are required to :

1. Prepare the closing entries for the period ended 31st December 2011.
2. Prepare the Post-Closing Trial Balance

Eman Advertising Agency
Trial Balance
As at 31st December 2006

Account Title	Debit	Credit
Cash	21,000	
Notes Receivable	1,700	
Furniture	2,600	
Building	70,500	
Accounts payable		15,800
Capital		70,000
Drawings	350	
Commission income		10,000
Consulting Revenue	
Salaries Expense	
Wages Expense	6,700	
Insurance Expense	700	
Total	114,300	114,300

3. General Ledger:

Capital Account

Date	Explanation	PR	Debit	Credit	Balance
Dec. 31 st					7,300

Income Summary Account

Date	Explanation	PR	Debit	Credit	Balance

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Account Title	Debit	Credit

Exercise 6:

The following selected account of Mustafa Company at the end of its fiscal year Dec. 31st 2010:

Cash	16,100	Acc. Receivable	5,400	Machinery	15,700
Acc. payable	12,200	Supplies	1,470	Accrued wages	3,600

Sales account

Date	Explanation	PR	Debit	Credit	Balance
Dec.31					13,500

Purchase account

Date	Explanation	PR	Debit	Credit	Balance
Dec.31					1,300

Repairing and Maintainers expenses

Date	Explanation	PR	Debit	Credit	Balance
Dec.31					1,570

Wages expenses

Date	Explanation	PR	Debit	Credit	Balance
Dec.31					12,260

Drawing account

Date	Explanation	PR	Debit	Credit	Balance
Dec.31					1,500

