CONCEPT: CLOSING ENTRIES

● ***Closing Entries*** – used to "zero" out ________________ account balances after the financial statements are created

☐ ***Temporary Accounts*** – accounts related to a certain time period

- Revenues, Expenses, and ____________________ are temporary accounts

☐ ***Permanent Accounts*** – Accounts that hold their balance from period to period

- Assets, Liabilities, and Equity accounts

☐ ***Income Summary*** – a temporary account used during the closing process

1. Debit each revenue account for its full balance and credit Income Summary

Service Revenue   Income Summary
Income Summary Balance:

2. Credit each expense account for its full balance and debit Income Summary

Income Summary
        Rent Expense
        Salary Expense
        Supplies Expense
        Depreciation Expense
        Utilities Expense
        Income Tax Expense

Income Summary Balance:

3. Credit the dividends account for its full balance and debit Retained Earnings

Retained Earnings   Dividends
Income Summary Balance:

4. Close out Income Summary to the Retained Earnings account.

● If Revenues > Expenses, we made a profit. Income Summary has a credit balance. Close Income Summary with a debit.

● If Expenses > Revenues, we had a loss. Income Summary has a debit balance. Close Income Summary with a credit.

Income Summary Balance: