







CLOSING JOURNAL ENTRIES

- Zero out **Temporary** accounts
 - Revenues
 - Expenses
 - Dividends
- What does NOT get closed?
 - Balance Sheet Accounts



EXAMPLE

Income Statement
January 1, 20XX - December 31, 20XX

Revenues	100,000
- Cost of Goods Sold	(40,000)
Gross Profit	60,000
-Other Expenses	
Wage Expense	25,000
Insurance Expense	13,000
Total	
Expenses	(38,000)
Net income	22,000

Dividends of \$10,000.

Closing Entries		
Revenues	100,000	
Income summary		100,000
Income summary	78,000	
COGS		40,000
Wage Exp.		25,000
Insurance Exp.		13,000
Income summary	22,000	
Retained Earnings		22,000
Retained Earnings	10,000	
Dividends		10,000



BASIC STEPS TO PREPARING FINANCIAL STATEMENTS

- Journalize
- Post journal entries to General Ledger
 - Trial balance
- Prepare adjusting journal entries
 - Adjusted trial balance
- Prepare Income Statement, Balance Sheet
- Prepare closing journal entries
 - Post closing trial balance




