

Closing the Accounting Period

Making the Transition from a Manual to a Computerized System

Task	Manual Methods	Computerized Methods
Closing Entries	<ul style="list-style-type: none"> Using a general journal form, prepare closing entries for revenue, expense, income summary, and withdrawals accounts. Post the closing entries in the general ledger accounts. 	<ul style="list-style-type: none"> It is not necessary to journalize closing entries. Closing entries are performed by the computerized system.

Peachtree® Q & A

Peachtree Question	Answer
What is the difference between changing the accounting period and closing the fiscal year in Peachtree?	<ul style="list-style-type: none"> In Peachtree the <i>accounting period</i> refers to the period used to record transactions. At the end of an accounting period (usually at month-end), you should change to the next accounting period. For example, at March 31, you would select the next accounting period, April 1, 20-- through April 30, 20--. The fiscal year should be closed only when you are sure that all entries have been recorded and all reports have been printed for the year.
How do I close the fiscal year?	<ol style="list-style-type: none"> Post and print all journal entries before closing the fiscal year. Closing the fiscal year cannot be reversed. From the Tasks menu, select System. Select Year-End Wizard. You will be prompted to complete Year-End closing procedures.

QuickBooks Q & A

QuickBooks Question	Answer
What is the difference between changing the accounting period and closing the fiscal year in QuickBooks?	<ul style="list-style-type: none"> In QuickBooks the <i>accounting period</i> refers to the month used to record transactions. Changing the accounting period is as simple as entering the first day of the next month. The software does not require that you manually adjust accounting periods. The fiscal year should be closed only when you are sure that all entries have been recorded and all reports have been printed for the year.
How do I close the fiscal year?	<ol style="list-style-type: none"> Record all journal entries before closing the fiscal year. From the Edit menu, select Preferences. Choose the Accounting preference and click the Company Preferences tab. In the Date field, enter the closing date and click the Set Password button. Enter and confirm the password, and click OK.

For detailed instructions, see your Glencoe Accounting Chapter Study Guides and Working Papers.

Complete problems using:

Manual Glencoe
Working Papers OR
Spreadsheet
Templates**Peachtree®****SMART GUIDE****Step-by-Step Instructions:****Problem 10-4**

1. Select the problem set for Wilderness Rentals (Prob. 10-4).
2. Rename the company and set the system date.
3. Select **System** from the **Tasks** menu and then choose **Year-End Wizard**.
4. Complete the **Analyze** activity.
5. End the session.

TIP: Print the General Ledger or General Ledger Trial Balance report to find an account balance.

Problem 10-4 Preparing Closing Entries

A portion of the work sheet for Wilderness Rentals for the period ended December 31 follows.

Instructions Using the information from the work sheet, prepare the journal entries to close the temporary accounts.

1. Record the closing entry for the revenue account.
2. Record the closing entry for the expense accounts.
3. Record the closing entry for the **Income Summary** account.
4. Record the closing entry for the withdrawals account.

Wilderness Rentals**Work Sheet**

For the Period Ended December 31, 20--

ACCT. NO.	ACCOUNT NAME	INCOME STATEMENT		BALANCE SHEET	
		DEBIT	CREDIT	DEBIT	CREDIT
1 101	<i>Cash in Bank</i>			7 000 000	1
2 105	<i>Accts. Rec.—Helen Katz</i>			2 000 000	2
3 110	<i>Accts. Rec.—Polk and Co.</i>			1 000 000	3
4 115	<i>Office Supplies</i>			900 000	4
5 120	<i>Office Equipment</i>			12 000 000	5
6 125	<i>Camping Equipment</i>			6 000 000	6
7 201	<i>Accts. Pay.—Adventure Equip. Inc.</i>				90 000
8 203	<i>Accts. Pay.—Digital Tech Computers</i>				40 000
9 205	<i>Accts. Pay.—Greg Mollaro</i>				50 000
10 301	<i>Ronald Hicks, Capital</i>				19 775 00
11 305	<i>Ronald Hicks, Withdrawals</i>			2 350 00	11
12 310	<i>Income Summary</i>				12
13 401	<i>Equipment Rental Revenue</i>		14 965 00		13
14 501	<i>Advertising Expense</i>	1 500 00			14
15 505	<i>Maintenance Expense</i>	1 560 00			15
16 515	<i>Rent Expense</i>	1 000 00			16
17 525	<i>Utilities Expense</i>	1 230 00			17
18		5 290 00	14 965 00	31 250 00	21 575 00
19	<i>Net Income</i>	9 675 00			9 675 00
20		14 965 00	14 965 00	31 250 00	31 250 00
21					20

Analyze

Predict the balance of the capital account after the closing entries are posted.

Problem 10-5 Preparing a Post-Closing Trial Balance

Instructions Use the accounts shown on the next two pages to prepare a Dec. 31 post-closing trial balance for Hot Suds Car Wash.

Problems

CHAPTER 10

Cash in Bank		Accounts Receivable— Linda Brown	
Debit + Balance 8,000	Credit —	Debit + Balance 875	Credit —
Accounts Receivable— Valley Auto		Office Equipment	
Debit + Balance 5,050	Credit —	Debit + Balance 6,000	Credit —
Office Furniture		Car Wash Equipment	
Debit + Balance 9,000	Credit —	Debit + Balance 65,000	Credit —
Accounts Payable— Allen Vacuum Systems		Accounts Payable— O'Brian's Office Supply	
Debit —	Credit + Balance 41,000	Debit —	Credit + Balance 2,500
Regina Delgado, Capital		Regina Delgado, Withdrawals	
Debit — Closing 1,500	Credit + 35,925 Closing 16,000	Debit + Balance 1,500	Credit — Closing 1,500
Income Summary		Wash Revenue	
Debit — Closing 19,000 Closing 16,000	Credit — Closing 35,000	Debit — Closing 15,000	Credit + Balance 15,000
Wax Revenue		Interior Detailing Revenue	
Debit — Closing 8,000	Credit + Balance 8,000	Debit — Closing 12,000	Credit + Balance 12,000
Advertising Expense		Equipment Rental Expense	
Debit + Balance 2,500	Credit — Closing 2,500	Debit + Balance 3,000	Credit — Closing 3,000

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Step-by-Step Instructions: Problem 10-5

1. Select the problem set for Hot Suds Car Wash (Prob. 10-5).
2. Rename the company and set the system date.
3. Print a post-closing Trial Balance.
4. Complete the Analyze activity.
5. End the session.

TIP: Print the General Ledger Trial Balance after you complete the closing process to generate a post-closing trial balance.

QuickBooks

PROBLEM GUIDE

Step-by-Step Instructions: Problem 10-5

1. Restore the Problem 10-5.QBB file.
2. Print a Post-Closing Trial Balance.
3. Complete the Analyze activity.
4. Back up your work.

CONTINUE 

Maintenance Expense		Rent Expense	
Debit	Credit	Debit	Credit
+	-	+	-
Balance 5,000	Closing 5,000	Balance 5,000	Closing 5,000
Utilities Expense			
Debit	Credit		
+	-		
Balance 3,500	Closing 3,500		

Analyze

Predict the balance of the temporary accounts after the closing entries are posted.

Peachtree®**SMART GUIDE****Step-by-Step Instructions:****Problem 10-6**

1. Select the problem set for Kits & Pups Grooming (Prob. 10-6).
2. Rename the company and set the system date.
3. Close the current fiscal year.
4. Complete the Analyze activity.
5. End the session.

Problem 10-6 Journalizing Closing Entries

The following account names and balances appear on the work sheet for Kits & Pups Grooming for the month ended December 31.

ACCT. NO.	ACCOUNT NAME	INCOME STATEMENT		BALANCE SHEET		1
		DEBIT	CREDIT	DEBIT	CREDIT	
1	<i>Cash in Bank</i>			9 300 00		1
2	<i>Accts. Rec.—Juan Alvarez</i>			3 000 00		2
3	<i>Accts. Rec.—Nathan Carlsbad</i>			10 000 00		3
4	<i>Accts. Rec.—Martha Giles</i>			5 000 00		4
5	<i>Office Equipment</i>			8 000 00		5
6	<i>Office Furniture</i>			10 000 00		6
7	<i>Computer Equipment</i>			9 000 00		7
8	<i>Grooming Equipment</i>			15 000 00		8
9	<i>Kennel Equipment</i>			21 000 00		9
10	<i>Accts. Pay.—Able Store Equip.</i>				5 000 00	10
11	<i>Accts. Pay.—Dogs & Cats Inc.</i>				1 500 00	11
12	<i>Accts. Pay.—Pet Gourmet</i>				15 000 00	12
13	<i>Abe Shultz, Capital</i>				52 700 00	13
14	<i>Abe Shultz, Withdrawals</i>			7 000 00		14
15	<i>Income Summary</i>					15
16	<i>Boarding Revenue</i>		20 000 00			16
17	<i>Grooming Revenue</i>		8 000 00			17
18	<i>Advertising Expense</i>	700 00				18
19	<i>Equipment Repair Expense</i>	12 000 00				19
20	<i>Maintenance Expense</i>	5 000 00				20
21	<i>Rent Expense</i>	17 000 00				21
22	<i>Utilities Expense</i>	8 000 00				22

Instructions Using this information, record the closing entries for Kits & Pups Grooming. Use general journal page 11.

Analyze

Calculate the change in the capital account for the period.