

CLOSING ENTRIES

The “Closing Entries” prepare the General Ledger cards for the beginning of a new year by adjusting, to zero, the Revenue, Expense and Owner’s Withdrawal accounts. There are four closing entries in all as follows:

1. Close the Revenue accounts to the Income Summary account
 - a. If they are a credit on the Worksheet, debit the account
 - b. If they are a debit on the Worksheet, credit the account
 - c. Make the Debits equal Credits with an entry to the Income Summary account.
2. Close the Expense accounts to the Income Summary account
 - a. Start with an entry to the Income Summary account (no amount)
 - b. Credit each expense account
 - c. Debit the Income Summary account with the total of the credits
3. Close the Income Summary account to the Owner’s Capital account
 - a. Calculate the balance in the Income Summary account after closing entries number 1 and 2 and close the Income Summary (usually a Debit)
 - b. Offset the entry with an entry to Owner Capital account (usually a Credit)
4. Close the Owner’s Withdrawals account to the Owner’s Capital account
 - a. Start with an entry to Owner Capital for the amount of Owner Withdrawals
 - b. Offset the entry with a credit to Owner Withdrawals.