

Module 9 – Types of Accounts

■ Real or Permanent Accounts

- Accounts that are not closed to a zero balance at the end of each accounting period
- Permanent accounts appearing on the balance sheet

■ Nominal or Temporary Accounts

- Accounts that are closed to a zero balance at the end of each accounting period
- Temporary accounts usually appear on the income statement



Closing Entries

1. Transfer of temporary accounts to income summary account
2. Transfer of income summary and dividend accounts to retained earnings



Problem – Closing Entries

Eriksen Enterprises

Income Statement

For the Year Ended June 30, 2003

Sales Revenue	\$	187,000
Cost of Goods Sold		(122,000)
Selling and General Expenses		(20,500)
Income before income taxes		44,500
Income Tax Expense		(17,800)
Net Income	\$	26,700



Closing Entries Solution

12/31 Sales Revenue	\$187,000
COGS	\$122,000
Selling & Gen Exp	\$ 20,500
Income Tax Exp	\$ 17,800
Income Summary	\$ 26,700

Note: closing entry for the year



Closing Entries Solution

12/31 Income Summary \$26,700

 Retained Earnings \$26,700

Note: closing entry for the year

