Chapter 6 Working Paper and Closing Accounts

- One way to reduce errors from accounting is to use a tool called paper to help prepare financial statements.

Working Paper

- means paper that is prepared as a tool to facilitate the improvement of transactions and the preparation of financial statements. It is more convenient and faster, with the appearance of paper with multiple debit and credit amount slots. To be used as a place to collect all accounts of the business and to classify various amounts to distinguish which transactions will be used to calculate the operating performance and which items will be used to calculate the financial position of the business.

Format of the paper is made.

- 1. 6-compartment type paper.
- 2. 8-slot type making paper
- 3. 10-slot type paper.

Steps to prepare a working paper

- 1. Write a 3-line paper header
- 2. Write the account name, account number, and amount from the ledger on a piece of paper. The total amount of debit and credit must be the same.
- 3. Analyze the adjustment transaction at the end of the accounting period and record it in the adjustment entry field.
- 4. Apply the amount in the pre-adjustment trial statement box to the amount in the adjustment channel.
- 5. Consider the income category in the credit income statement. The expense category is included in the debit income statement.
- 6. Consider the asset category to be included in the debit statement box, the liability and owner's equity category to be entered in the credit statement box.

Benefits of paper making

- 1. To be a source of information for the preparation of financial statements.
- 2. It facilitates the preparation of an update or correction of accounting errors.
- 3. It makes it convenient and easy to prepare financial statements.
- 4. It helps to know the operating performance and financial position of the business more quickly.
- 5. Reduce errors caused by accounting records.

Closing Entry

- Closing of income and expenses into the profit and loss account at the end of the accounting period or any other day.

1. In case of account closure for a sole proprietorship or partnership.

- Transfer of the balance of the income and expense account to the income and expense summary account or the profit and loss account, as well as the transfer of the balance of the profit and loss account and the personal withdrawal account to the owner's equity account or capital account.

2. In case of account closure for a limited liability company

- Transfer of the balance of the income and expense account to the income and expense summary account or the profit and loss account, as well as the transfer of the balance of the profit and loss account and the dividend account to the owner's equity account or retained earnings account.

Purpose of account closure

- 1. To summarize the operating results in 1 accounting period.
- 2. To temporarily close the accounts, including the income and expense account categories, by making these accounts have zero balances.

Accounting Methods

- 1. Calculate the balance of the account to be closed, including the income and expense category of all accounts.
- 2. Make the balance of the account to be closed to zero. By recording the account on the opposite side with the balance with the same amount.
- 3. Record the transferred account on the opposite side.

1. Closing of Income Category Accounts

- Debit Income (by Type) xx
- credit Profit and Loss xx

2. Closing of Expense Categories

- Debit Profit and Loss xx
- credit Expenses (by type) xx

3. Closing of Profit and Loss Accounts

- 1. In case the total credit amount is greater than the total debit amount.
- 2. In case the total amount of debit is greater than the total amount of credit.

1. In case the total credit amount is greater than the total debit amount.

- Debit Profit and Loss xx
- credit Scholarship xx

2. In case the total amount of debit is greater than the total amount of credit.

- Debit Capital xx
- credit Profit and Loss xx

4. Closing Personal Withdrawal Accounts

- Debit Capital xx
- credit Withdraw Private xx

Finding the balance of an unclosed account

- It is a calculation to determine the difference between the sum of the debit and the total credit of the asset account category. This difference is shown as the carry-on balance. It will be transferred as "Carried Balance" on the beginning of the next accounting period and is used as information for the preparation of the financial statement at the end of the accounting period.

Steps to find the balance of an unclosed account

- 1. In case the ledger has only one side of the transaction.
- 2. In case of multiple ledger entries

1. In case the ledger has only one side of the transaction.

- 1. Write the date of the end of the accounting period. On the side without a list.
- 2. Write the word "Carry-over" in the field and enter the "√" in the field in front of your account.
- 3. Draw a single and even line under the amount on both sides.
- 4. Write the date of the new accounting period on the next line on the opposite side to the side that says Carry-over.
- 5. Write the word "Forward" in the field and put the "√" in the field in front of the account to indicate that the item was passed from the general journal and enter the amount equal to the amount forwarded.

2. In case of multiple ledger entries

- 1. Find the sum of the debit and credit aspects of each account.
- 2. Calculate the difference between the debit sum and the credit sum
- 3. Write the date of the end of the accounting period on the side with less total.
- 4. Do the same as if there is only one side of the item.

Trial Statement After Closing

- Means the trial statement prepared after the closing of the account, which consists of category accounts, assets, liabilities and owner's equity, in order to prove the accuracy of the accounting records according to the dual accounting system again, and the balance that appears in the trial statement after closing the account is the balance carried forward to the next accounting period.

Financial Statements

- When the business has prepared a trial statement after closing the accounts. The Company must use the information of the accounting transactions from the revised trial statements to prepare the comprehensive income statement and the statement of financial position to show the operating results and financial position in that accounting period.

Opening entries

- Means the recording of accounting entries in a general journal. On the day of starting a business when the initial investment is made. The purpose of the account is to show the balance raised on the beginning of the accounting period, including the categories of assets, liabilities and equity, which are considered as fixed accounts that must be accumulated continuously forever.

Recording opening entries in the general journal

- 1. Record the date of the start of the new accounting period which is the 1st day of the accounting period.
- 2. Record the ledger name along with the amount in the debit and credit fields.