

Closing entries for temporary accounts

Steps to close temporary accounts

Step One	Close revenues to income summery	Dr Revenue Cr. Income summery
Step Two	Close expense to income summery	Dr. Income summery Cr. Expense
Step Three	Close income summery 1. Calculate Net Income Net income= total revenue- Total Expense If Net income is Profit i.e. total revenue > total Expense	Dr. Income Summery Cr. Capital
	If net income is Loss i.e. total revenue < total expense	Dr. Capital Cr. Income summery
Step four	Close Drawings Account	Dr. Capital Cr. Drawings

Posting to ledgers

Revenue Account

Date	Explanation	PR	Debit	Credit	Balance
	Balance			XXX	XXXCr.
	Income Summery		XXX		0

Expense Account

Date	Explanation	PR	Debit	Credit	Balance
	Balance		XX		XXDr.
	Income summery			XX	0

Income summery if total revenues > total expense

Date	Explanation	PR	Debit	Credit	Balance
	revenues			xxx	Xxx Cr.
	Expenses		xx		X Cr.
	Capital		x		0

Income summery if total revenues < total expense

Date	Explanation	PR	Debit	Credit	Balance
	revenues			YY	YY Cr.
	Expenses		YYY		Y Dr.
	Capital			Y	0

Capital Account if total revenues > total expense

Date	Explanation	PR	Debit	Credit	Balance
	Balance			zzz	Zzz Cr.
	Income Summery			zz	Zzzzz Cr
	Drawings		z		Zzzzz Cr.

Capital Account if total revenues < total expense

Date	Explanation	PR	Debit	Credit	Balance
	Balance			zzzz	Zzzz Cr.
	Income Summery		zz		Zzz Cr
	Drawings		z		Zz Cr.

Drawings Account

Date	Explanation	PR	Debit	Credit	Balance
	Balance		A		A Dr
	Capital			A	0