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

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31 Sales Revenue</td>
<td>$187,000</td>
</tr>
<tr>
<td>COGS</td>
<td>$122,000</td>
</tr>
<tr>
<td>Selling &amp; Gen Exp</td>
<td>$ 20,500</td>
</tr>
<tr>
<td>Income Tax Exp</td>
<td>$ 17,800</td>
</tr>
<tr>
<td>Income Summary</td>
<td>$ 26,700</td>
</tr>
</tbody>
</table>

*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