

Week Four Reflection Summary

Name

Team

ACC/ 290

Date

The preparation of closing entries, reversing entries and a post-closing trial balance are essential to the practice of accounting for any business. Closing entries update the Retained Earnings to its correct balance. Closing entries also zero out all the temporary accounts. Reversing entries help simplify record keeping. An example of a reversing entry is when one makes a journal entry debiting Income Summary and crediting Retained Earnings to close net income to retained earnings. Another example is debiting Retained Earnings and crediting Dividends to close dividends to retained earnings. A post-closing trial balance is also important for a company to use. According to Kimmel, Weygandt, Keiso (2011), "The purpose of the post-closing trial balance is to prove the equality of the permanent account balances that the company carries forward into the next accounting period."

Financial statement worksheets are useful tools for companies to employ when preparing their financial reports. Financial statements provide a working document for accountants to reference. It places all accounts and financial figures on one document. Companies can use spreadsheets to enter formulas and compute outputs.

The Income Statement is important because it presents a company's revenues and expenses for a given period. This document is a useful tool for investors, stakeholders, and financial institutions. Investors can use the information contained in the Income Statement to see how much a company earns. It lists a company's expenses by category. The Retained Earnings Statement is a summary of what has change in the retained earnings for a company. The Retained Earnings provides a snapshot of how much a company earned as of a certain date, usually at the end of the month. The retained earnings statement includes dividends paid to stakeholders.

References

- Kimmel, Weygandt, Keiso. (2011). *The accounting information system* [PowerPoint slides]. Retrieved from University of Phoenix ACC/290 Chapter 4.