**Steps 6 and 7**

Slide 1: We will continue our discussions of the Accounting Cycle in this presentation covering Steps 6 and 7 – the Adjusted Trial Balance and The Financial Statements.

Slide 2: We will power through these steps of the Accounting Cycle rather quickly in this video. We’ll use the information from Step 5 – the adjusted accounts – to create the Adjusted Trial Balance for Step 6. Then, using that particular Trial Balance, we’ll prepare the final Financial Statements.

Please feel free to use the working papers I’ve prepared (steps 6 & 7 blanks) and work along with the video.

Slide 3: Here, we use the adjusted amounts for Cash, Prepaid Insurance, Supplies and Wages Expense, along with new accounts arising from the adjustments (Insurance Expense, Supplies Expense, Depreciation Expense, Accumulated Depreciation, Unearned Revenue, Wages Payable, Interest Expense and Interest Payable) and the other accounts from the Unadjusted Trial Balance that were not affected to create the Adjusted Trial Balance. While some of these changes are subtle, they have made a huge difference in the accuracy of our statements.

Slide 4: Here, we can see the resulting final Financial Statements. Assets increased by $4,600, Liabilities increased by$7,750 and Owners’ Equity decreased by $3,150. This decrease is a result of $3,150 in expenses we matched during our adjusting process (7,750 – 3,150 = 4,600).

We can feel confident in publishing the financials, now that they are as accurate as possible.

Slide 5: Next time, we’ll look at the process for closing the books in Step 8. I have prepared two video presentations for Step 8 – in Part 1, we learn about the closing Process and in Part 2, we apply what we learned in Part 1 to the Financial Statements created here in Step 7.