**Step 8 (part 2) Script**

Slide 1: In this video presentation, we’re going to build on what we learned in the Step 8 (part 1) video and apply it to the financials we created in Step 7. I will use a blue font to distinguish from previous entries…

Slide 2: I included this for a quick review of the four steps in the closing process…

Slide 3: I included this Adjusted Trial Balance from Step 6. We can use either this or the financials from Step 7 to get the numbers we need for closing. If you wish to work along, you can print out the Step 8 (part 2) blanks.

Slide 4: Here we close credit balances in Revenue accounts to Income Summary, by debiting Revenue and crediting Income Summary.

Slide 5: Here, we close debit balances in expense accounts to Income Summary by crediting all 6 of the expense accounts and debiting Income Summary. Most of our temporary accounts now have zero balances.

Slide 6: for the third step in the closing process, we will close out Income Summary to Retained Earnings. Since we are starting with a credit balance in Income Summary, we will need to debit that account and credit Retained Earnings in the amount of our positive Net Income.

Slide 7: For the last step of the closing process, we will close out distributions – in our case, dividends – to Income Summary. As we can see, the balance in the Retained Earnings ledger is exactly the same as we saw in the Statement of Retained Earnings.

Slide 8: Now that we have prepared and posted the closing entries, we can proceed to the last step of the Accounting Cycle, Step 9.