

# [Accounting 101 chapter 4](https://assignbuster.com/accounting-101-chapter-4/)

work sheeta spreadsheet prepared by many accountants as part of the normal end-of-period process, it shows adjustments effect on financial statementscurrent assetscash and other assets that are expected to be converted to cash or sold or used up usually within one year or less, through the normal operations of business. can include notes receivable, acc receivable, supplies and other prepaid expensesnotes receivablea customers written promise to pay an amount and possibly interest at an agreed-upon rate. accounts receivableamounts customers owe, less formal than notes receivable, usually result from providing services or merch on accountfixed/plant assetslong-term, or relatively permanent tangible assets such as equipment, machinery, and buildings that are used in the normal business operations and that depreciate over timeliabilitiesamount business owes to creditors; the rights of creditors that represent debts of the businesscurrent liabilitiesliabilities that will be due within a short time, usually one year or less, and that are to be paid out of current assets, ex wages payable, notes payablelong-term liabilitiesliabilities that will not be due for a long time, usually more than a year, would be reported below current liabilities, become current liabilities in period they are paid, if renewed remain the same. ex mortgage payablereal (permanent) accountsrelatively permanent accounts, the balance are carried over from year to year from the balance sheet. examples are cash, equipment, acc rec,; term for balance sheet accounts because they are relatively permanent and carried forward from year to yeartemporary (nominal) accountsaccounts that only report one period, are not carried over from year to year. ex wages payableclosing entriesthe entries transferring temporary account balances to permanent account balances; the entries that transfer the balances of the revenue, expense, and drawing accounts to the owners capital accountclosing process (closing the books)the process of completing closing entries; the transfer process of converting temporary account balances to zero by transferring the revenue and expense account balances to income summary, tansferring the income summary account balance to the owners capital account, and transferring the owners drawing account to the owners capital accountstep 1 closing processtransfer revenue account balances to income summary account (debit rev, credit IS)step 2 closing processtransfer expense account balances to income summary account (credit expense, debit IS)step 3 closing processincome summary balance, either net income or loss, is transferred to the owners capital account (debit IS, credit owners cap account)step 4 closing processthe balance of the owners drawing account is transferred to the owners capital account (debit owners cap account, credit drawing account)income summarytemporary account that is only used during the closing process; an account to which the revenue and expense account balances are transferred at the end of the periodclearing accountan account that has the effect of clearing the revenue and expense accounts of their balances (another name for income summary)post closing trial balanceprepared after the closing entries have been posted, verify that the ledger is in balance at the beginning of the next periodaccounting cyclethe accounting process that begins with analyzing and journalizing transactions and ends with the post-closing trial balancefiscal yearthe annual accounting period adopted by businessnatural business yearfiscal year that ends when business activities have reached the lowest point in its annual operating cycleliquiditythe ability to convert assets into cashsolvencythe ability of a business to pay its debtsworking capitalthe excess of the current assets of a business over its current liabilitiesworking capital= current assets-current liabilitiescurrent ratiomeans of expressing the relationship between current assets and current liabilities; a financial ratio that is computed by dividing the current assets by current liabilitiescurrent ratio= current assets/current liabilitieskeyingname for cross referencing process referred to in step 3 of EOPEOP step 1enter the titleEOP step 2enter the unadjusted trial balanceEOP step 3enter the adjustmensEOP step 4enter the adjusted trial balanceEOP step 5extend the accounts to the income statement and balance sheet columnsEOP step 6total the income statement and balance sheet columns, compute the net income or net loss, and complete the spreadsheet ONACCOUNTING 101 CHAPTER 4 SPECIFICALLY FOR YOUFOR ONLY$13. 90/PAGEOrder NowTags:

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