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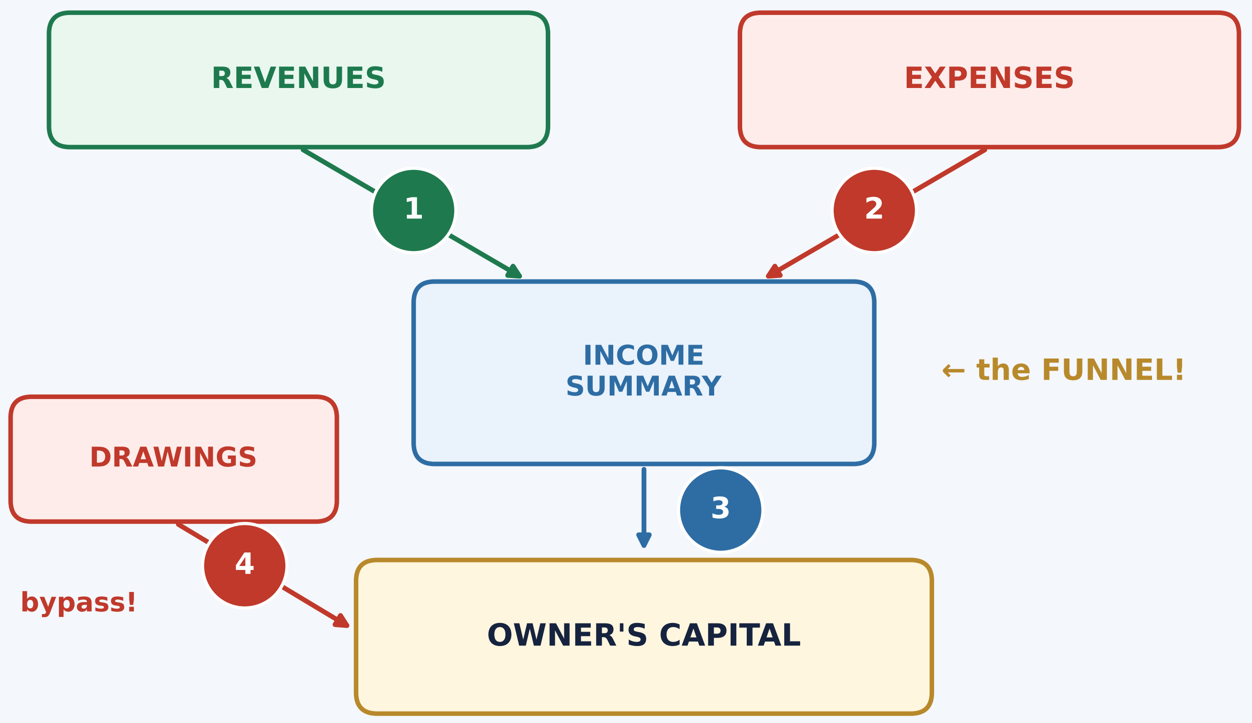
CH. 4 · MAIN

CH. 4 CHEAT CARD — COMPLETING THE CYCLE

THE CLOSING RIVER SYSTEM



THE FOUR ENTRIES — journal form (Maple Bean, Dec 31)

		Dr.	Cr.
1	**Service Revenue**	22,650	
	Income Summary		22,650
2	**Income Summary**	16,290	
	(each expense account → 0)		16,290
3	**Income Summary → net income**	6,360	
	Owner's Capital		6,360
4	**Owner's Capital**	1,000	
	Owner's Drawings		1,000

ending capital 12,000 + 6,360 − 1,000 = 17,360

pause · screenshot · keep it in your camera roll for the exam

KEEP vs CLOSE

PERMANENT — keep

assets

liabilities

owner's capital

(incl. Accumulated Depreciation!)

TEMPORARY — close

revenues

expenses

drawings

zeroed out — poured into Capital

post-closing TB 27,630 = 27,630

survivors only — nothing temporary

working capital 15,560 · current ratio ≈ 6.1 : 1

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CLASSIFIED BALANCE SHEET

- current assets
- long-term investments
- property, plant & equipment
- intangible assets
- current liabilities
- long-term liabilities
- owner's equity

★ THE TWO TRAPS

land is NEVER depreciated

drawings NEVER touch Income Summary