

1. Close Revenues to Income Summary
2. Close Expense to Income Summary
3. Subtotal Income Summary, calculate and record taxes
4. Close Income Tax Expenses to Income Summary
5. Close Income Summary to Retained Earnings

Income Summary	
Expense Total	Revenue Total
Net Loss	Net Income
Income Tax	*Expense*
Close Retain E	Net Income
<b>Shipping Terms</b>	
FOB Shipping Point: Buyer claims ownership of goods in transit	
FOB Destination: Seller claims ownership of goods in transit.	

Raw Materials (RM) Inventory	
Beginning Inventory	
Purchases	
Freight In	
	Returns and Allow.
	Discounts
Cost of RM Available FS	
	<b>*Cost of RM Used*</b>
Ending Inventory	

Work-In-Process (WIP) Inventory	
Beg Inv	
Any X's related to processing cost	
Direct Labour	
FOH (Indirect labor, rent, equip)	
Utilities X	
<b>*Cost of RM Used*</b>	
Cost of WIP	
	<b>*Cost of Finished Goods Manufactured*</b>
Ending Inventory	

- General:
- When having A/P and X
    - Paying last yr's X's: Dr. A/P and Cr. X
  - Insurance: O/B: Cr the X and Dr. Prepaid Insurance with the remaining amount
  - Salaries and wages:
    - Admin work & financial work goes straight to X
    - Supervision (indirect labour) goes to WIP
    - Wages/p: at FYB Dr. it then Cr. Wages X to get rid of last year's payable
  - A/R
    - Dr. all A/R's and Cr. Sales when receiving sales from customers even if there is A/R collection in the case
    - Cr. Cash disbursements value to 1)
  - Figure out any entries that you didn't record in the WIP from FOH in the FOH exhibit
    - % = WIP last yr. entry/(WIP Entry + X of the same value)
    - Use the same % to multiply the X of this year and transform it to WIP-Entry-X
      - Cr X and Dr WIP

- Bank loans:**
  - In disbursements: Dr. CP Bank Loan and Cr. Cash
  - Then for difference: Dr. Bank loan Int.X and Cr the difference out of the CP Bank loan
  - Extra amount paid on CP from cash disbursements is int.
  - Dr. the amount paid this year of CP directly to Bank loan then deduct for next year on CP
  - Depreciating loan:
    - Dr. Bank Loan
    - Cr CP to pay the next year

Proxy: is **E/B of WIP** used to calculate partial completed goods pFOH (might be more than one partial, if given a \$ value then just add them up)

$$E/B \text{ of WIP } \frac{\text{partial hrs on finished goods (Units)}}{\text{total hours of DL (Units)}} * \text{total FOH}$$

$$\frac{\text{proxy used on partially completed goods}}{\text{total proxy used for all goods}} * \text{total FOH}$$

Avg. Cost: (unit cost 3 decimals)

$$\frac{\text{COGAFS from WIP}}{\text{UAFS T/B of finished goods (units)}} * E/B \text{ Units}$$

Units	
UAFS	
	sold
E/B	

Finished Goods (FG) Inventory	
Beginning Inv. (from Income statement)	
<b>*Cost of Finished Goods Manu.*</b>	
T/B	
	<b>*COGS* (go to COGS X)</b>
Ending Inventory	E/B

Production supplies is FOH  
E/B of RM: include any in-transit if already paid it even if it's FOB Destination

**E/B Calculation:**  
Weighted Average Cost:  
$$\frac{T/B \text{ of finished goods}}{\text{units sold} + \text{remaining units}} * \text{Remaining units}$$
  
Same formula used for Raw Materials

Or FIFO could be also used  
E/B of finished goods  
$$\frac{T/B \text{ of finished goods}}{\text{Sold} + E/B \text{ Units}} * E/B \text{ Units}$$

Depreciation methods:  
$$(HC - RV) * \frac{1}{a} * \frac{n}{12}$$
  
HC = Historical Cost; RV = Residual Value; a = useful life

Units of production method  
$$\frac{HC - RV}{\text{Total Units}} * \text{Units Used}$$

Diminishing:  $BV * 1/a * n/12$ ;  $BV = (HC - A/D)$

**Leases BV:** Price (1+present value)  
To find lease obligation this yr: find disbursement value - (lease int/pay + whatever int. remaining in the difference btw int/pay and the int. rate given times the carrying value of lease obligation)  
Leases are treated as assets:  
Dr. lease obligation (liab) & Cr. Cash  
PV (table2): (FV @ i = take same i rate, n=period - 1) + FV  
Dr. Lease Asset and Cr. Lease Obligation  
Accrued Int.:  
At FYE: original BV - this years oblig. \*i%\*n/12  
Dr. Int Lease X(@FYE) or int/p  
Cr. Int/P(@FYE) or lease obligation  
Depr. = leased asset BV/lease life\*n/12  
Dr. Depr X  
Cr. A/D asset under lease

**Buying Bonds:**  
 $N = \text{year} \times 2$      $i = \text{Mrk i rate}/2$

- PV of Face value = Face Value \* PV Factor  
Face value= 1000\*# of bonds  
PV=from table 1
- One i payment \* PV Factor  
One i payment= Face value \* coupon i rate \* 6/12  
PV Factor = from table 2  
ADD 1) & 2) to get the present value of the bond  
Dr. cash and Cr. Bond/pay  
Bond i X = carrying value \* Mrk rate \* n/12  
i payment = Face value \* coupon rate \* n/12  
carrying value \* Mrk rate (date of issuance) \* n/12  
Amort. = total i X - i payment  
FYB: pay only this specific amount from FYB to the next payment

Premium amount decreases bond i X  
Dr. Bond i X  
Dr. Bond/pay (diff bond i X & i payment)  
Cr. Cash or Bond i Payable

Discount amount increases bond i X:  
Dr. Bond i X  
Cr. Bond/pay  
Cr. Cash or bond i/p

Bond Retirement (calls) amount paid is the T/B then find loss/gain of recall  
Find amount paid(no int.) - carrying value that had to be paid(plus last Amort.), diff is the gain or loss  
Cr. bond/pay & Dr. loss on call/retirement:  
Cr. Cash & Cr. Gain on call/retirement

Fixed assets: record purchase price even if stocks were sold  
Rent: figure out the manufacture or workshop space that is used for FOH  
Cr. Cash, Dr. WIP-FOH, Dr. Depr. X

Depreciation: for any production equip. make sure some of it go to WIP and some go to Depr. X  
Dr. WIP  
Cr. A/D Prod Equip

**T/I Stocks**  
Record Stock purchase price + fees  
Dr. T/I stocks & Cr. Cash

Recording dividend Revenues:  
Dr. cash & Cr. Dividend Revenue

FYE adjust T/I stocks to Mrk value to reflect any unrealised gains or losses  
Stock Mrk value < BV  
Dr. unrealised loss  
Cr. T/I-stocks

Stock Mrk value > BV  
Dr. T/I stock  
Cr. Unrealised gain

Sale of T/I-stocks:  
(Stock value \$ in books/total shares before sale) \* shares to be sold or O/B  
Then find what was sold in disbursements and this amount to find gains or losses  
Gain or loss: \$ proceed - NBV - fees    gain proceeds > NBV  
Loss: NBV(O/B) - sale  
Dr. Cash (sale - fees)  
Cr. T/I-Stocks  
Dr./Cr. Loss/gain on T/I

Declaring % to be distributed: record the date when it distributes on books

E/B of T/I account: # of shares \* price of shares at FYE  
Diff btw E/B and T/B is the unrealised loss or gain

**Stock Issuance**

Issuing:  
Dr. Asset/cash, Cr. Common or preferred stock

Preferred to common:  
Dr. Preferred stock, Cr. Common stock @ price in books not Mrk

Paying cash dividends:  
Dr. Retained Earnings, Cr. Dividends/pay

Date of payment:  
Dr. dividends/pay, Cr. Cash

Date of declaration:  
Dr. Retained Earning Cr. Stock Dividend Distr. (% or \$ times shares to be distributed at price of declaration at price of date)

Date of declaration PS:  
Dr. Retained Earnings Cr. Dividends/P

Date of Distribution:  
Dr. Stock dividend Distr. Cr. Common shares

Stock Repurchase: If CS: make sure it's O/B + (PS to CS if occurred), then find diff btw that and amount repurchased on disbursement for loss or gain

- Purchase price < BV: Dr. common stock  
Cr. Contributed capital (common or pref stock)  
Cr. Cash
- Purchase price > BV: Dr. Common Stock  
Dr. R/E or Contr. Capital common or pref (if exists)  
Cr. cash

Repurchasing stock:  
Overpaying stock: Dr. Contr. Capital - CS (if exists) or Retained Earnings  
Underpaying: create a Contr. Capital - CS and Cr. it

CS declaration: Cr. stock div

Buying Asset with issuing stocks: Dr. the Asset and Cr. CS or PS of the amount btw cash paid and BV, the A/D and BV is original value not with what was paid with cash

