

Recording Closing Entries, Calculation of Net Income and Ending Retained Earnings

The year-end adjusted trial balance of ELM Corporation included the following account balances: Retained Earnings, \$220,000; Service Revenue, \$850,000; Salaries Expense, \$380,000; Rent Expense, \$140,000; Interest Expense, \$75,000; and Dividends, \$50,000.

Record the necessary closing entries:

Date	General journal	Debit	Credit
Dec , 31, 2012	Service Revenue	850,000	
	Retained Earnings		850,000
	Retained Earnings	595,000	
	Salaries Expense		380,000
	Rent Expense		140,000
	Interest Expense		75,000
	Retained Earnings	50,000	
	Dividends		50,000

Calculation of Net Income:

Services Revenue	\$850,000
Expenses	<u>595,000</u>
Net Income	255,000

Calculation of Ending Retaining Earning:

Beginning Retained Earnings	\$220,000
Add: Net Income	255,000
Less: Dividends	<u>(50,000)</u>
Ending Retained Earnings	425,000