

Accounting I



12TH CLASS END OF THE YEAR OPERATIONS




END of the YEAR OPERATIONS



It is the end of the accounting cycle.

Accountants book:


- Regularizations – Examples: Depreciation and Amortization Expenses, Accruals and Deferrals, Impairments,...
- Net Income - During the year the firm used accounts of expenses and revenues. When the year is ended it is necessary to determinate the result of the period in order to evaluate the economic performance. To do so, we compare the revenues and expenses incurred.



END of the YEAR OPERATIONS

Classes 6, 7 e 8:

Class 6	Class 7	Class 8
GOGS	Sales	Net Income of the period
External Services Expenses	Services	Interim dividends
Staff Expenses	Variation of production inventories	
Depreciation and Amortization Expenses	Works for the entity	
Impairment Losses	Production subsidies	
Fair value Losses	Reverses	
Provisions of the period	Fair value gains	
Other expenses and losses	Other revenue and gains	
Financing expenses and losses	Interests, dividends and similar revenues	




END of the YEAR OPERATIONS

How is it done?


The accounts from class 6 and 7 are transferred to class 8:

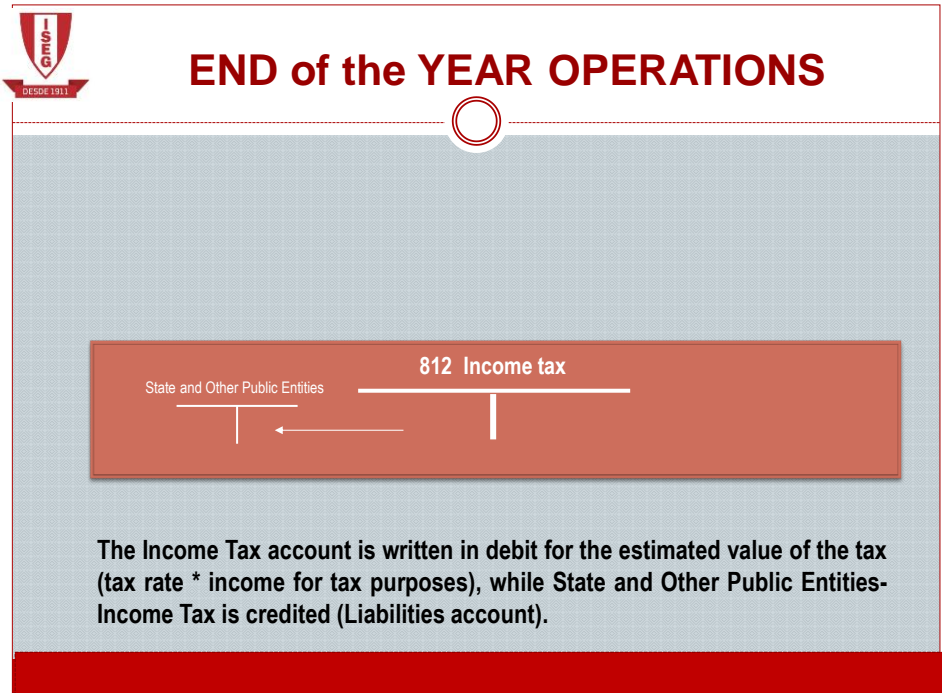
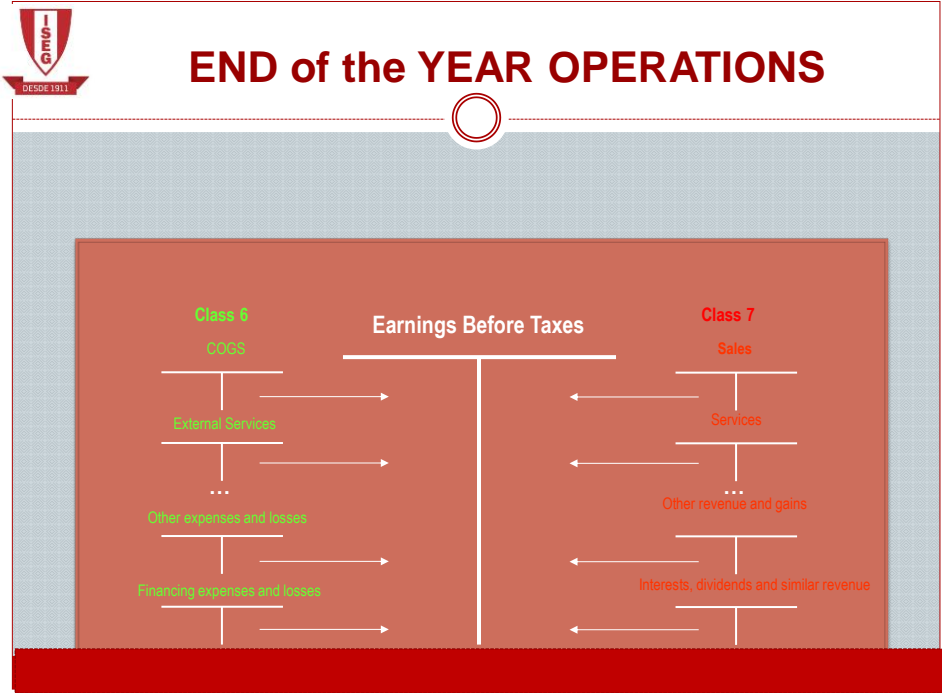
Class 8


Class 6



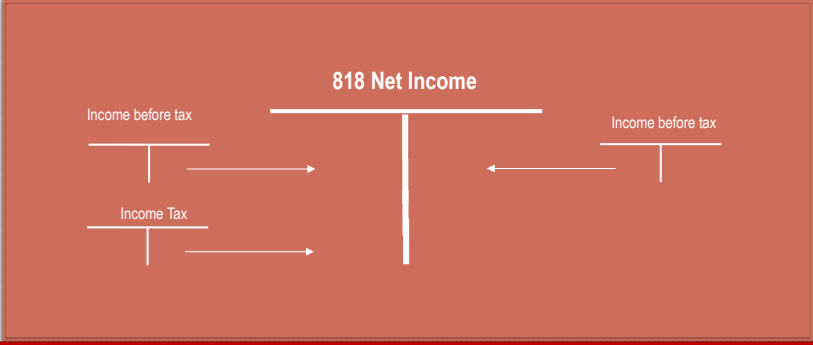
Class 7






 **END of the YEAR OPERATIONS**

Finally, the account Net Income (#818) received all the balances from the previous accounts:



The diagram illustrates the transfer of balances to the Net Income account. A central T-account labeled "818 Net Income" is shown. On the left side, two T-accounts labeled "Income before tax" and "Income Tax" have arrows pointing towards the central account. On the right side, a T-account labeled "Income before tax" has an arrow pointing towards the central account.

 **END of the YEAR OPERATIONS**

- The balances of the accounts of classes 6 and 7 are determined and then transferred to class 8 - Income.
- Therefore, the balances of 6 and 7 are, after this, zero!!
- The balances of the accounts of these classes will appear on the income statement