

# 11

## Completing the Accounting Cycle, Closing the Books, and Reviewing Changes


# Learning Objectives

- Complete the accounting cycle
- Create a trial balance report
- Create adjusting journal entries
- Adjust inventory quantities
- Create financial statements and management reports
- Close the books in QuickBooks Online
- Review the audit log and audit history

# Completing the Accounting Cycle

- Trial balance report
  - Shows all accounts in the Chart of Accounts and their balances
  - Used to confirm accuracy in data and transactions
- Adjusting journal entries
  - For depreciation, allocation of prepaid expenses, and corrections to inventory
- Inventory quantity and value
  - Review and correct at consistent intervals
  - Inventory shrinkage decreases asset value and increases expenses

# Completing the Accounting Cycle (cont.)

- Adjusted Trial Balance report
  - Verify balances are correct
  - Verify that **credits = debits**
- Last step in the accounting cycle, create:
  - Profit and loss (income) statement
  - Balance sheet
- Create a management package that contains these and any additional reports that have been requested 

**TIP!** *Customize your reports to better represent your business.*

# Closing the Books

- Prepare all required reports before closing out a fiscal period
- When closing the year, QuickBooks transfers all income and expense accounts to the Retained Earnings account
- QuickBooks can warn users against or require a password before making changes to a closed period

# The Audit Log and Audit History

- Audit log
  - Chronological list of activities performed
  - Who logged in/out
  - Filter for user, date range, event type
- Audit history
  - Tracks changes to customer and vendor transactions
  - Who did what and when