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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