

**Title of Lesson:** Mastering Closing is as easy as Whistling Dixie

**Grade Level(s):** 9-12

**Materials Needed:** Dixie cups, Mr. Sharpie Marker, beans and popcorn

**Lesson Overview:**

Revenues are earned during the accounting period, they are put a Dixie cup labeled "Revenues." This is where all of the revenue for the period ends up. Expenses during the period are put into a Dixie cup labeled Expenses. Before the closing process begins, the Revenues cups and Expenses cups are full of all the revenues and expenses earned and incurred during the period. The first step in the closing process is to put the Revenue cup into the Income Summary cup. They were credits in the Revenue cup, and they still are credits in the Income Summary cup. The Revenue cup is empty.

The next step in the closing process is to put the Expenses cup into the Income Summary cup. Before we dump them, the Expenses are debits in the Expenses cup. After we dump them into the Income Summary cup, they were debits in the Expense cup, and they still are debits in the Income Summary cup The Expenses cup is now empty--what it had contained is now in the Income Summary cup. The Income Summary cup now contains all the revenues and expenses. (Beans and Popcorn) Then, if there is more popcorn than beans, you have a net income, and if there are more beans than popcorn, you have a net loss.

The next step in the closing process is to put the Income Summary cup into the Capital cup. If we had a net income, the capital was increased, and if we had a loss, capital would be decreased.

The last step in the closing process is to put the Drawing cup into the Capital cup. The contents of the drawing cup is subtract from the capital.

When you are finished with this process, all of the cups except for Capital are empty and ready to be used for the next accounting period. The Revenues, Expenses, Income Summary, and Drawing cups are all empty because they are simply temporary accounts.

**Learning Objectives:** The students will have a simple way to remember and understand the process for closing entries.

**Procedures:** Write on the board the steps to closing. 1. Close revenue to income summary. 2. Close expenses to income summary. 3. Close the income summary to capital. 4. If you have anything in the drawing account, close it to capital. Separate the class into groups of two or three. Give each group some cups. Tell them they need to label the cups as Revenue, Expenses, Capital, and Drawing. Have them do an example of a net income first and have them put 10 popcorn kernels in the capital cup, 10 in the income cup, and 5 in the expense cup. Have the students take the Revenue cup and pour it into the Income Summary Cup. Then take the Expense Cup and pour it into the Income Summary Cup. Then take the Income Summary Cup and pour it into the Capital Cup. Take the number of beans and subtract an equal number of popcorn kernels. Then you have the balance of the capital account. The empty cups are ready for the next accounting period. Tell each group to come up with their own problem to present to the class. Select a representative to present it, and the presentations will be for the next class period.

**Method of Evaluation (if applicable, please include the answer key on a separate sheet of paper):** Teacher Observation and have each group come up with a scenario of their own to present to the group.

**Options and variations of lesson (optional):** You can change the number of pop corn and beans to change the lesson from a net loss to a net profit.

**Relevance to NBEA or NCTM Standards (see Educator Resources at [www.oscpa.com](http://www.oscpa.com)):** This is relevant to NBEA or NCTM Standards because mastering

closing entries is essential to understanding the Accounting Cycle.

**Skills students will gain:** The students will gain a better understanding of closing entries by this visual representation of what closing the temporary accounts actually accomplishes.

Please include, on a separate sheet, a short biography for yourself, as well as your credentials (resumes are acceptable). Contest entries should be sent via e-mail to [awelch@oscpa.com](mailto:awelch@oscpa.com) or mailed in typed form to OSCPA, Attention: Amy Welch, 1900 NW Expressway, Ste. 910; Oklahoma City, OK, 73118. Questions can be directed to Amy at [awelch@oscpa.com](mailto:awelch@oscpa.com) or by phone at 405/841-3800, ext. 3806 or toll free at 800/522-8261. All lessons become the property of OSCPA and cannot be returned

### **Educator's Statement of Understanding**

I fully understand that I am participating in a competitive process and that my application does not guarantee an award. I understand that by submitting, I authorize the OSCPA to post my lesson plan on the OSCPA Web site