

Accounting Concepts: M & M Closing Entries

Objective:

This lesson is a way to teach students the abstract concept of Closing Entries in a more concrete format. Perform the closing entries while simultaneously working with T-accounts on the board.

Supplies Needed:

10 clear cups
1 pound bag of M & M's

Preliminary Work:

Prior to the lesson, label the cups and fill with M & M's as follows:

Label	Number of M & M's	Color of M & M's
Sales Credit	154	Brown
Rent Expense Debit	34	Green
Misc. Expense Debit	30	Blue
Utilities Expense Debit	40	Orange
Income Summary Debit	Empty	
Income Summary Credit	50	Red
D.S. Capital Debit	Empty	
D.S. Capital Credit	132	Yellow
D.S. Drawing Debit	32	Blue

Procedure:

Follow the Closing Entry process and illustrate as follows--

Close Sales to Income Summary

Transfer the M&M's from the Sales Credit cup to the Income Summary Credit cup
Show the students the empty Sales Credit cup which is now closed

Close each Expense account to Income Summary

Transfer the M&M's from each of the Expense Debit cups to the Income Summary Debit cup
Show the students each of the empty Expense Debit cups which are now closed

Close Income Summary to Capital

Explain that the difference between the Income Summary Credit cup and the Income Summary Debit cup is the Net Income which has a credit balance

Put the two Income Summary cups out of sight and bring out the Income Summary Credit cup containing the Net Income

Transfer the M&M's from the Income Summary Credit cup to the D.S., Capital Credit cup on top of the M&M's already in the cup

Show students the empty Income Summary Credit cup which is now closed

Close Drawing to Capital

Transfer the M&M's from the D.S., Drawing Debit cup to the D.S., Capital Debit cup

Show the students the empty D.S., Debit cup which is now closed

New Capital

Explain that all accounts are closed except for D.S. Capital which is now equal to New Capital
(Beginning Capital + Net Income - Drawing)
