

Chapter 10 Kafa2 Sweaters

1. It is necessary to make reversing entries for accruals after closing the year because the accrued revenues and expenses recorded in the previous fiscal year could be recorded again in the new fiscal year when income is received or costs are paid. Reversing entries ensure that the portion of the cost or income that relates to the previous fiscal year is not recorded twice.
2. The steps involved in closing the current year in a manual system are:
 - a) Process journal entries to transfer Revenue and Expense accounts to Retained Earnings or Capital accounts.
 - b) Process journal entries to close Dividends Declared or Drawings.

In Sage 50 Accounting, the session date is advanced to the first day of the new fiscal year and the Revenue and Expense accounts are closed to Retained Earnings or the Capital account.

3. See the answers for question 5 in Chapter 9.