

Posting to Retained Earnings



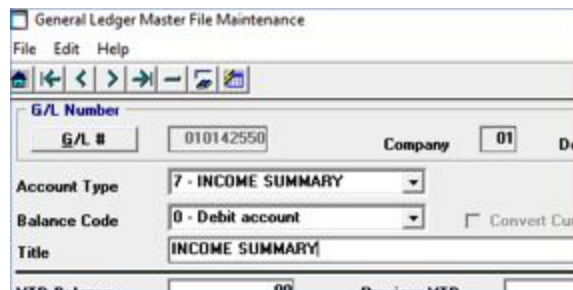
Overview:

Retained Earnings is the collective net income since a company began minus all the dividends that the company has declared since it began.

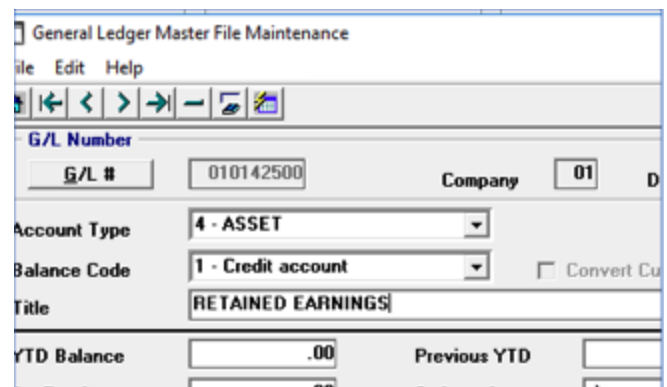
It is recorded into the Retained Earnings account, which is reported on the company’s balance sheet. An increase or decrease in revenue affects retained earnings because it impacts profits or net income. A surplus in your net income would result in more money being allocated to retained earnings after money is spent on debt reduction, business investments or dividends. Any factors that affect net income to increase or decrease will also ultimately affect retained earnings.

Setting Up the General Ledger

1. Set up an Income account to be used in conjunction with the Retained Earnings posting.
 - a. When assigning the number, the first two digits should be used to present the branch or company depending upon your corporate structure. In the case below, we used 010142500 for the first company or branch, where 0101 represented the company or branch and 42500 represents the account. The second company or branch would be 020242500.
 - b. Type is 7 - Income Summary
 - c. Balance code is 0 - Debit
 - d. Title is Income Summary



1. Set up the Retained Earnings Account
 - a. Use the same guidelines as above for assigning the account number.
 - b. Type is 4 – Asset
 - c. Balance Code is 1 - Credit
 - d. Title is Retained Earnings
 - e. Add the Retained Earnings account to the appropriate sequence file for your Balance Sheet



Calculating the Retained Earnings

At the end of the accounting period, retained earnings is reported on the balance sheet as the accumulated income from the prior period plus the current balance minus dividends, etc. The net income from the current period will be provided from the Net Income as shown on your income statement.

Posting Retained Earnings

Your Income Statement will show the Net Profit or Loss. To see the Net Profit or Loss, you will need to perform a soft close (Month to Date Transaction Update). After the soft close, run the Income Statement to Net Profit or Loss. You will then create a journal entry and post the Net Profit as a debit to Income Summary and as a credit to Retained Earnings.

050001	0	010142500	INCOME SUMMARY	8/04/2020	0	MS	RE	RETAINED EARNINGS	10000.00	
050002	0	010142500	RETAINED EARNINGS	8/04/2020	0	MS	RE	RETAINED EARNINGS		10000.00

Notes:

1. You must post to Retained Earnings **prior to performing the hard close** (End of Month Update). Once you perform the hard close you will not be able to post Retained Earnings until the next period.
2. This is a **suggested** way of posting to Retained Earnings. You may change the set up or posting account names to fit your needs and your Balance Sheet preferences.

For more information on getting access to this query, please contact your Support Representative.

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