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Note: When preparing financial statements by hand the Income Statement would usually be prepared first because the net income or loss becomes part of the Retained Earnings Statement. The Retained Earnings Statement is usually prepared second because the ending retained earnings balance becomes part of the Balance Sheet.

***Note: Corporations are subject to income taxes but sole proprietorships and partnerships are not. Otherwise the income statements of each are identical.**

Income Statement (single-step format):

HANSON RETAIL FOOD STORE, INC.
Income Statement
Year Ended December 31, 2006

Net Sales		\$262,000
Rent revenue		6,900
Interest revenue		1,400

Total Revenue		270,300
Expenses:		
Cost of Goods Sold	\$159,000	
Salaries and wages	45,000	
Advertising	12,400	
Freight out	4,000	
Depreciation	5,000	
Taxes and licenses	3,000	
Rent	6,300	
Interest expense	350	
Loss on sale of assets	250	
* Income taxes	2,000	

Total expense		237,300

Net Income (loss)		\$ 33,000
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Note: Owner's equity statements of corporations are called Statement of Retained Earnings, those of sole proprietorships are called Statement of Capital and those of partnerships are called Statement of Partners' Capital.

Retained Earnings Statement:

HANSON RETAIL FOOD STORE, INC.
Statement of Retained Earnings
Year Ended December 31, 2006

Beginning balance	\$ 7,000
Net income (loss)	33,000

	40,000
Dividends	2,000

Ending balance	\$ 38,000
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Note: Balance Sheets of corporations have a Shareholders' Equity section whereas sole proprietorships have an Owner's Capital section and partnerships have a Partners' Capital section. Otherwise the Balance Sheets would be identical.

Balance Sheet:

HANSON RETAIL FOOD STORE, INC.
Balance Sheet
December 31, 2006

ASSETS

Current Assets:

Cash		\$ 3,000
Short-term investments/marketable securities		6,000
Accounts receivable, net		5,000
Inventory		10,000
Prepaid rent		2,000
Office supplies on hand		1,000
Total current assets		<u>27,000</u>

Long-Lived Assets:

Long-term investments	\$ 10,000	
Land	35,000	
Building	86,000	
Machinery & equipment	50,000	
Less accumulated depreciation	(23,000)	
Patents	<u>4,000</u>	
Total long-lived assets		<u>162,000</u>
Total Assets		<u>\$189,000</u> =====

LIABILITIES

Current Liabilities:

Accounts payable		\$ 4,200
Notes payable		15,000
Interest payable		1,000
Wages payable		800
Total current liabilities		<u>21,000</u>

Long-Term Liabilities:

Mortgage payable	\$ 30,000	
Bonds payable	<u>50,000</u>	
Total long-term liabilities		<u>80,000</u>
Total Liabilities		<u>101,000</u>

STOCKHOLDERS' EQUITY

Common stock	50,000	
Retained earnings	<u>38,000</u>	
Total Shareholders' Equity		<u>88,000</u>
Total Liabilities and Shareholders' Equity		<u>\$189,000</u> =====