



Assignment 4: Financial Statements and Worksheets / Accounting 11

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Name: _____

Due Date: November 14, 2011

Score: _____ out of a possible 35

Course value: 5.0%

Assignment 4: Financial Statements and Worksheets

Part A: Short Answers (5 marks)

1. What is the purpose of a trial balance? (1 mark)

2. Why is Net Income included in a company's balance sheet (later in the course we will use the account Retained Earnings because "Net Income" is not an actual account name)? (2 marks)

3. What do you consider to be the most important financial statement? Why? (2 marks)

Part B. Fill in the Blank (3 marks, ½ mark each)

1. Assets accounts (except contra-assets) are expected to have a _____ balance.
2. Liabilities accounts (except contra-liabilities) are expected to have a _____ balance.
3. Equity accounts (except Drawings) are expected to have a _____ balance.
4. Revenue accounts are expected to have a _____ balance (with few exceptions).
5. Expense accounts are expected to have a _____ balance (with few exceptions).
6. The balances used in the Trial Balance come **directly** from the _____.

Part C: Fill in the Blank (2 marks, 1 mark each)

A company had a total of debit balances of \$200,000 and a total of credit balances of \$200,000. The net income of the company was computed to be \$12,000.

Consider the following:

- a) The company made an incorrect entry: an expense account was credited for \$2,000 and an asset account was debited \$2,000 (**should have been the opposite**). What should the total of the debit balances in the Trial Balance be?

- b) What should the net income of the company be? _____

Part C: Simplified Balance Sheet (5 Marks)

Brenda Sanderson is an interior designer. She runs a small proprietorship called Sanderson & Company. The following is a portion of the trial balance (as of February 28, 2011).

Trial Balance		
	Debit	Credit
Cash	13,750.00	
Accounts Payable		5,202.66
Inventory	7,855.00	
Accounts Receivable	12,500.00	
Vehicles	23,868.00	
Bank Loan		30,000.00
Computer Equipment	5,500.00	
Owner, Capital		???????

- 1) What is the value of the Owner, Capital (Owner's Equity account)? (1 mark)

- 2) Prepare the Balance Sheet (4 marks)

Current Assets

Total Current Assets

Fixed Assets

Total Fixed Assets

Total Assets

=====

Liabilities

Total Liabilities

Owner's Equity

Total Equity

Total Liabilities and Owner's Equity

=====

Part C: Simplified Income Statement (5 Marks)

On Feb. 28, 2010, the revenue and expenses for Sanderson & Company were as follows:

Design Revenue	25,000.00	Painting Revenue	18,775.00
Advertising	1,550.00	Bank Charges	958.00
Office Expenses	1,325.00	Insurance	2,250.00
Other Revenue	10,332.00	Rent	16,000.00
Vehicle Repairs	2,623.00	Wages	36,750.00

Prepare the Income Statement for Sanderson & Company (for the month ending February 28, 2011).

Revenue	Amount
_____	_____
_____	_____
_____	_____
Total Revenue	_____
Expenses	
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
Total Expenses	_____
Net Profit/Loss	_____

**Part D: Using a Worksheet to Prepare Financial
Statements (15 Marks)**

Complete the worksheet on the following page. Don't forget to ...

- a) Transfer Net Income to the Balance Sheet
- b) Trial Balance information should appear on either the Income Statement (Revenues and Expenses) or the Balance Sheet (Assets, Liabilities or Owner's Equity Accounts)
- c) The Debits and Credits columns for each section of the worksheet should be equal – i.e. the Debit Column Total will equal the Credit Column Total in the Trial Balance Section, Income Statement Section and Balance Sheet Section)

**Worksheet for Brenda Sanderson
Sole Proprietorship
December 31, 2010**

	Trial Balance		Income Statement		Balance Sheet	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	10,000					
Accounts Receivable	15,000					
Inventory	4,000					
Vehicles	22,000					
Computer Equipment	6,000					
Accounts Payable		10,000				
Bank Loan		10,000				
Brenda Sanderson - Capital		10,000				
Retained Earnings		20,000				
Brenda Sanderson - Drawings	13,000					
Design Revenue		20,000				
Painting Revenue		20,000				
Other Revenue		10,000				
Advertising	3,000					
Bank Charges	2,000					
Insurance Expense	5,000					
Rent	5,000					
Wages	15,000					
Net Income						