Trial Balance

Income Statement

CHAPTER 5 PREPARING FINANCIAL STATEMENTS

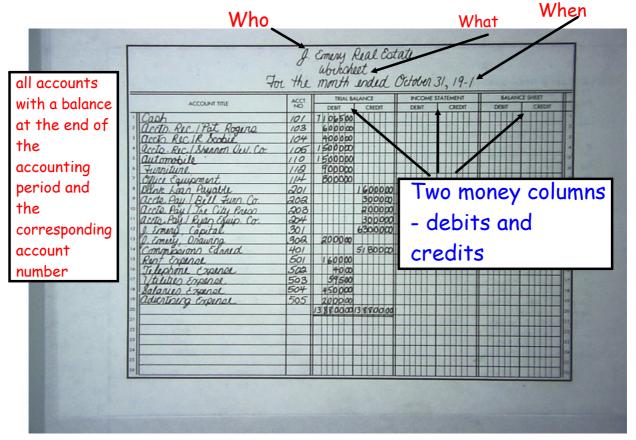
Balance Sheet

TOPIC 1 INTRODUCING THE SIX-COLUMN WORKSHEET

	ACCT	TRIAL B	ALANCE	INCOME	STATEMENT	BALANC	I SHEET	
ACCOUNT TITLE	ACCT. NO			DEBIT	CREDIT	DEMT CREDIT		
ach	101	7106500						
coto. Rec. / Pat Rogeno	103	600000						
CCTD. REC. / Pat Rogens	104	400000						
cto. Rec. 1 Shannon Our. Co.	105	1500000						
utomobile .	110	1500000						
Hunnitune.	112	900000						
The Equipment	114	800000						
Ink Logn Payable	201		1600000					
cote Pay Bell Funn Co.	202		300000					
coto Pay The City Paro	203		200000					
erto Pay / Ryan Equip. Co.	204		300000					
Sminy Capital	301		6300,000					
Emery, Onawing	302	200000						
marinono Edraed	401		51 80000					
ent Expense	501	160000						
lephone craince	502	7000						
tilites Expense.	503	59500						
alaries Exand	504	#50000						
ducitning Expande	505	200000						
	1	13880000	138800.00					
AND STORES	-							
	-							

It is a working paper that summarizes all information needed to prepare an accurate set of financial statements. -not a permanent accounting records -may prepare in pencil, so that you can easily correct errors.

<u>Heading</u> - same as Income Statement <u>Body</u> - Account Title, Account No., Trial Balance, Income Statement, Balance Sheet



The worksheet begins with a trial balance and is expanded to include other statement columns, the worksheet may be defined as an expanded trial balance

The Income Statement and Balance Sheet columns at the right are referred to as the 'financial statement columns."

Worksheet: an expanded trial balance, in which account balances are classified and sorted. The worksheet provides information to prepare formal financial statements.

Completing the Six Column Worksheet 1. COMPLETE THE HEADING

- length of accounting period that ended (month, quarter, year)

- the link which connects the financial statement columns is the accounting period

- the net income (or net loss) is the result of matching revenue with related expenses for a definite period, known as the matching principle.

2. COPY the TRIAL BALANCE TO THE WORKSHEET

enter the account titles, account numbers, and debit and credit balances exactly as listed for the trial balance.
not all companies prepare a formal trial balance, instead they copy the trial balance information directly from the General Ledger accounts to the worksheet.

3. TRANSFER and SEPARATE THE BALANCES

- divide the account balances in the trial balance between the income statement and balance sheet.

2 Rules to Remember

1. Copy a debit balance to the debit side (column) of the related financial statement.

2. Copy a credit balance to the credit side (column) of the related financial statement.

The accounting equation is represented in the balance sheet.

- therefore assets, liabilities and owner's equity are transferred to the balance sheet

- income statements reports revenue and expenses, these accounts are transferred to the income statement.

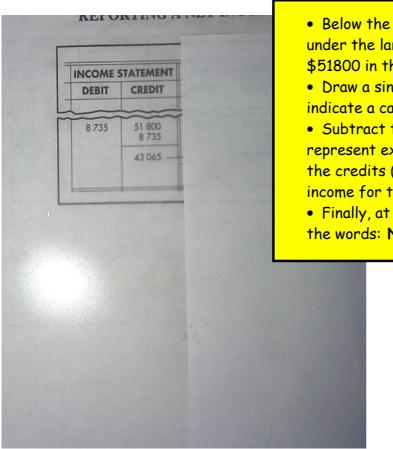
4. ADD the FINANCIAL STATEMENT COLUMN

- draw a single line across all statement columns as shown. Then add the figures in the debit and credit columns for both the Income Statement and the Balance Sheet. These totals are written below the single line

	ACCT	TRIAL BA	LANCE	INCOME S	TATEMENT	BALANC	E SHEET	T
ACCOUNT TITLE	NO.	DEBIT	CREDIT	DEBIT	CREDIT	DENT	CREDIT	Π
h	101	7106500				1106500		
ID Rec. 1 fat. Popers	103	600000				600000		1
cets. Rec. R. Scolule	104	400000				400000		3
ets. Pec. 1 Shannon Dur. Co	105	1500000				1500000		
stomobile	110	1 500000				1500000		1
hurmiture	112	90000				900000		•
ffice Cariforment	114	800000				800000		1
Bank Joan Parable	201		1 600000				160000	•
cets. Pay. Bell Furn Co.			500000				30 0 0 00	•
cets. And the City Fress	203		200000				200000	10
ccts. Any Rinn Chiple	204		300000				300000	1
Comerte Capital	301		6300000				6300000	10
Emeth, Drawing	302	200000				200000		0
ommasions carned	401		5180000		5180000			1.4
ent expense	501	160000		160000				13
elephone Expense	502	4000		4000				18
Itilities Expense	503	59500		59500				17
Salaries Expense	504	450,000		450000				2.8
duertising Cypense	505	200000		200000				19
0 *		1388000	13880000	873500		13006500	8700000	20
					873500			21
let Income					4 306500		4306500	22
						1300 6500	3006500	23
								24
								25
	C.L.							28

5. COMPLETE the INCOME STATEMENT SECTION

- the income statement is shown as debit and credit columns, the procedure to prepare an income statement is slightly different.



- Below the totals, place the smaller amount under the larger one. \$8735 is placed under \$51800 in the credit column
- Draw a single line under the smaller amount to indicate a calculation
- Subtract the two figures the debits represent expenses, since they are less than the credits (revenue), the answer must be net income for the month
- Finally, at the far left of the worksheet, enter the words: **NET INCOME**.

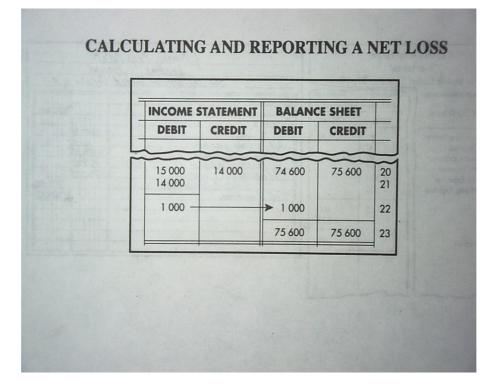
6. COMPLETE THE BALANCE SHEET SECTION

-copy the net income along the same line to the credit column of the balance sheet. Why? Since the net income in the income statement shows a credit balance, owner's equity in the balance sheet must also show a credit balance.

	ME STATEMENT	BALANC	E SHEET	draw a single line across both the debit and columns of the Balance Sheet section to indi calculation
DEE	IT CREDIT	DEBIT	CREDIT	
87	35 51 800 8 735	130 065	67 000 20 21	total the Balance Sheet column. The sums must o
	43 065 —	/	► 43 065	finally, draw a double line across the fin
		130 065	130 065 23	statement
			and a series	THE WORKSHEET IS NOW COMPLETE

CALCULATING and REPORTING a NET LOSS

-suppose the total expenses (debit column) is greater than the revenue (credit column)



Problem 5-1 we will do together