

BASIC FINANCIAL STATEMENT FORMAT – SOLE PROPRIETORSHIP © stmts2.doc
Written by Professor Gregory M. Burbage, MBA, CPA, CMA, CFM
Please observe all copyright laws

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 Statement of Owner's Capital. The Statement of Owner's Capital is usually prepared second because the ending owner's capital 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		
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	
Property taxes	2,000	

Total expense		237,300

Net Income (loss)		\$ 33,000
		=====

Note: Owner's equity statements of corporations are called Statement of Retained Earnings, those of sole proprietorships are called Statement of Owner's Capital and those of partnerships are called Statement of Partners' Capital.

Statement of Owner's Capital:

HANSEN RETAIL FOOD STORE		
Statement of Owner's Capital		
Year Ended December 31, 2006		
Beginning balance		\$ 7,000
Net income (loss)		33,000

		40,000
Withdrawals		2,000

Ending balance		\$ 38,000
		=====

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:

HANSEN RETAIL FOOD STORE
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>
OWNER'S CAPITAL	
Owner's captial	<u>88,000</u>
Total Liabilities and Owner's Equity	<u>\$189,000</u> =====