

CHAPTER 9**Concept Assessment****Financial Statements for a Sole Proprietorship**

Total Points	44
Student's Score	

PART A Accounting Vocabulary (13 points)

Directions: Using terms from the following list, complete the sentences below. Write the letter of the term you have chosen in the space provided.

A. balance sheet	F. income statement	H. liquidity ratio	M. statement of changes in owner's equity
B. current assets	G. Income Statement	I. net income	N. working capital
C. current liabilities	section of the work sheet	J. profitability ratios	
D. current ratio		K. report form	
E. financial statements		L. return on sales	

G 0. The source of information for completing the income statement is the _____.
 _____ 1. The financial statement that reports the net income or net loss for the fiscal period it covers is the _____.
 _____ 2. The classifications of balance sheet accounts are shown one under the other in _____.
 _____ 3. Reports prepared to summarize the changes resulting from business transactions that have occurred during a fiscal period are called _____.
 _____ 4. A financial statement that is prepared to summarize the effects on the capital account of the various business transactions that occurred during the fiscal period is called a(n) _____.
 _____ 5. _____ occurs when total revenue is greater than total expenses.
 _____ 6. The amount by which current assets exceed current liabilities is known as _____.
 _____ 7. A financial statement that is a report of the final balances in all asset, liability, and owner's equity accounts at the end of the fiscal period is the _____.
 _____ 8. The _____ is the relationship between current assets and current liabilities.
 _____ 9. The _____ ratio is used to examine the portion of each sales dollar that represents profit.
 _____ 10. A _____ is a measure of a business's ability to pay its current debts as they become due and to provide for unexpected needs of cash.
 _____ 11. _____ are the debts of the business that must be paid within the next accounting period.
 _____ 12. _____ are assets used up or converted to cash during the normal operating cycle of the business.
 _____ 13. A _____ is used to evaluate the earnings performance of the business during the accounting period.

Concept Assessment cont.**PART B Determining Account Balances (6 points)**

Directions: The beginning capital balance for several different businesses appears in the first column below. The other columns list the withdrawals, investments, total revenue, total expenses, and ending capital balances for each business. Fill in the blank spaces by adding or subtracting across each line.

	Capital Oct. 1	Withdrawals	Owner's Investment	Total Revenue	Total Expenses	Capital Oct. 31
0	\$28,394	\$500	\$ 2,000	\$7,394	\$4,203	\$33,085
1	\$36,495	\$300	\$ 0	\$4,395	\$3,127	
2	\$84,393	\$600	\$ 1,000	\$5,584		\$86,410
3	\$52,815	\$700		\$8,721	\$5,906	\$55,780
4		\$400	\$ 0	\$6,849	\$6,127	\$13,943
5	\$19,302	\$600	\$ 0		\$3,833	\$18,229
6	\$31,304		\$ 1,000	\$9,494	\$8,048	\$33,250

PART C Analyzing Information on Financial Statements (9 points)

Directions: Read each of the following statements to determine whether the statement is true or false.

Answer

(T) F **1.** The statement of changes in owner's equity is prepared before the balance sheet.

T F **1.** The balance sheet is prepared from the information in the Balance Sheet section of the work sheet and from the statement of changes in owner's equity.

T F **2.** A net loss and withdrawals both cause an increase in the capital account.

T F **3.** The balance sheet represents the basic accounting equation.

T F **4.** The wording of the date line in the heading on the income statement is important.

T F **5.** The balance sheet contains only the permanent general ledger accounts.

T F **6.** The statement of changes in owner's equity is completed as a supporting document for the income statement.

T F **7.** The sections listed on the income statement are the heading, the revenue for the period, the capital for the period, and the net income or loss for the period.

T F **8.** The primary financial statements prepared for a sole proprietorship are the income statement and the statement of changes in owner's equity.

T F **9.** The statement of changes in owner's equity shows the changes in the Cash in Bank account

Concept Assessment cont.**PART D Reporting Information on Financial Statements (16 points)**

Directions: Each of the following types of information appears on one or more of the financial statements. Indicate the appropriate financial statements by placing an "X" in the appropriate spaces.

Financial Information	Income Statement	Statement of Changes in Owner's Equity	Balance Sheet
0. Cash in Bank	_____	_____	X _____
1. Total Expenses	_____	_____	_____
2. Ending Capital	_____	_____	_____
3. Accounts Payable—Beacon Co.	_____	_____	_____
4. Rent Expense	_____	_____	_____
5. Total Liabilities	_____	_____	_____
6. Commissions Revenue	_____	_____	_____
7. Investment by owner	_____	_____	_____
8. Total Assets	_____	_____	_____
9. Beginning Capital	_____	_____	_____
10. Withdrawals by owner	_____	_____	_____
11. Net Loss	_____	_____	_____
12. Computer Equipment	_____	_____	_____
13. Net Income	_____	_____	_____
14. Service Fees	_____	_____	_____
15. Accounts Receivable	_____	_____	_____
16. Total Liabilities and Owner's Equity	_____	_____	_____