**Activity 2.5.3 – Income Statement and Balance Sheet**

Purpose: Demonstrate skill in preparing income statements and balance sheets for a sole proprietorship.

Have students define income statement and balance sheet and add the index cards to their collection.

Ask them to answer these questions from their reading:

1. From which two places can the information come for preparing financial statements?
2. Which of those places is the easiest to use?
3. What are the four sections of an income statement?
4. In most accounting reports, what information is in the three-line heading?
5. From which column in the worksheet do you get the revenue amount?
6. From which column in the worksheet would you get the expenses amount?
7. Which column indicates addition in accounting reports?
8. What amount is always the bottom line on an income statement?
9. What indicates that the report is complete and accurate as far as the preparer knows?
10. Which column of the worksheet contains the information for the assets on a balance sheet?
11. What are the four sections of a balance sheet?
12. Which column of the worksheet contains the information for the liabilities on a balance sheet?
13. What has to be done to capital before it can be written on a balance sheet?
14. What is the difference in the date on an income statement and the date on a balance sheet?
15. Is there anything against which you can check the net income to make sure it is the correct number?
16. Demonstrate preparation of an income statement and a balance sheet.

of Statement of Owner’s Equity.