DOWNLOAD PDF SMALL BUSINESS FINANCIAL STATEMENTS

Chapter 1 : 29+ Financial Statement Examples & Samples - PDF, Word, Pages

Accurately tracking financial data is not only critical for running the day-to-day operations of your small business, but it is also essential when seeking funding from lenders or investors to take your business to the next level. In addition, keeping tabs of your finances can help ensure your.

The par value of stock. This is a minimum amount per share that your stock would pay; it does not equal the market value of the stock. Amounts paid in capital. This is your net income from when you first opened your business to your current operation date. Your balance sheet will show the position of your small business at a specific point in timeâ€”like a snapshotâ€"rather than showing results across a time period. Every income statement you generate will represent a specific accounting period. This time period could be monthly, quarterly, or yearly. It all depends on your personal preference and business needs. Your income statement will outline your sales and expenses for the time frame you choose. It will first outline sales, and then work its way down to net income and earnings. Your income statement will also be broken down into two parts. This includes revenue from products and services you sell. It also includes expenses incurred from creating those products. This can include selling items not related to your product, such as equipment from your workplace. In addition to these categories, income statements are often laid out in one of two ways. The multi-step format shows multiple rows , including sales, operating expenses, operating income, non-operating or other income, and net income. There will be multiple subtractions from your net income. Single-step formats have three rows. The first is revenues and gains, followed by expenses and losses, and then net income is calculated below both. This format involves only one subtraction from your net income. Sole proprietorships and partnerships often use the single-step format. This format follows the equation: Your expenses section will include the costs your small business takes on to create products for customers. This can also include expenses needed to perform services. In comparison, your income statement will focus on your revenues, expenses, and what your small business has gained or lost during a specific time period. In contrast, income statements provide information that spans over a designated period of time, not one specific time. Calculations Balance sheets and income statements require different equations for interpreting and analyzing their data. This equation shows you what your small business owns and owes. It also shows you what shareholders have invested in your small business. In addition to the balance sheet equation, there are a number of ratios used to interpret and draw conclusions. Balance sheet ratios include: Financial strength is represented by having a high amount of cash and assets coupled with low debt. Quick ratios follow the equation: For example, if you have a ratio of 2. These analyze the amount of financing your small business has coming from investors. The higher your ratio, the more bank loans and investor financing you have received. They can also mean that your small business has been acquiring debt to grow. A high ratio can indicate that you could have trouble paying off the debt. Ratios above or in the five to six range are not ideal for investors. This ratio reports how your small business is doing with meeting financial obligations. This ratio can be an indicator of your ability to pay your bills, payroll, and loan payments in a timely manner. Higher ratios mean you will be able to meet your financial obligations easier. A ratio of 2. There also are a few important metrics that can be obtained from your income statement data. Income statement ratios include: Your operating income subtracts operating expenses. These expenses include wages, depreciation, and cost of goods sold. It follows the equation: This means the higher your operating income, the better your small business is doing financially. Earnings before interest and taxes EBIT. This is also known as operating earnings, operating profits, and profit before interest and taxes. It incorporates what you earn before interest or taxes are calculated. Your taxes and interest will be subtracted from the EBIT equation. The average EBIT will vary, based on your industry. The equation for it lets you know how profitable your small business is. The revenue you have left over can then be used to pay your debts or invest in new areas for growth. Net income is used to calculate earnings per share. Generally, the higher your net income amount, the better. Higher income can help you grow your business efficiently, ultimately leading to more profits. Every successful business produces cash during their operation. The cash flow equation for your small business represents the cash that is produced from your small business. The operating cash flow equation is: This section includes cash received from your customers, cash paid for expenses, and cash paid to your suppliers. This section includes any cash paid to get new or additional equipment for your small business. This section includes cash received as an investment from owners, cash received from bank loans, cash paid for bank loans, or cash paid to owners. The higher your cash flow is, the more success your small business is likely to have. Balance Sheet and Income Statement Linked Your business is made up of a variety of interlocking pieces, including your financial statements. The connection between them revolves around net income. Net income, as you already know, is reported on your income statement. Balance Sheet As a small business owner, you want to run your business as successfully as possible. To do this, you will need to make a balance sheet. Gather and add your assets. Cash, securities, accounts receivable, inventory, land, equipment, intellectual property, supplies, and prepaid insurance are all examples of what you should look for as you list your assets. Gather and add your liabilities. The same process you just did for assets will need to be repeated here with liabilities. Liabilities include accounts payable, taxes owed, unearned revenue, bonds payable, wages, payroll, and any loans or lines of credit the business is responsible for. To do this, you will to subtract your liabilities from your assets. Balance sheets can be created in a spreadsheet, with accounting software, or even by hand. Typically, assets are listed on the left side of the report. You may also have prior period items reported on your balance sheet. Pick your preferred timing. Your income statement can span any time frame, such as monthly, quarterly, biannually, or even annually. However you want your balance sheet date to end with your income statement period and the cumulative net income. Add up your income. Your income or revenue includes what your small business has earned from selling goods or services to customers. Subtract your expenses from revenues. As you calculate these expenses, you will want to include what you spend on your business. This includes payroll, taxes, and other expenses. Your income statement can be created in the same ways that your balance sheet can be, including spreadsheets, accounting software, or by hand. Most income statements consist of one column. They start with revenues listed and totaled. Then underneath that, your expenses and losses are listed and totaled. The last item on the statement will be your net income at the bottom. You may also have prior period items reported on your income statement. This can help you gain new investors, as well as keep your current ones. These two financial statements can open the door to deeper calculations and analyses. Your balance sheet and income statement will assist your small business every step of the way, as you grow and expand. Leave a Reply Your email address will not be published.

Chapter 2 : How to Write the Financial Section of a Business Plan | calendrierdelascience.com

Download free Small-Business Spreadsheets (Balance Sheets, Income Statements, Cash Flow) The Vertex42â„¢ collection of financial spreadsheets includes templates designed specifically for small business owners.

The income statement records all revenues for a business during this given period, as well as the operating expenses for the business. Are you confused about income statements? What Are Income Statements Used for? An income statement is one of the most important business financial statements. Small business owners use these statements to find out which areas of their business are over or under budget. These statements allow you to pinpoint specific items that are causing unexpected expenditures, such as cell phone use, advertising, or supply expenses. Income statements can also track dramatic increases in product returns or cost of goods sold as a percentage of sales, and can be used to determine income tax liability. Income statements, along with balance sheets , are the most basic elements required by potential lenders, such as banks, investors, and vendors. They will use the financial reporting contained therein to determine credit limits. Your income statement could decide if you get a loan or not. Use an income statement to track revenues and expenses and boost your business. How to Prepare an Income Statement? To prepare an income statement, you need to understand each individual component. Sales The sales figure represents the amount of revenue generated by the business. The amount recorded here is the total sales, minus any product returns or sales discounts. Cost of Goods Sold This number represents the costs directly associated with making or acquiring your products. Costs include materials purchased from outside suppliers used in the manufacture of your product, as well as any internal expenses directly expended in the manufacturing process. In a service business where you, as the owner, are the only expense in supplying the service, and you do not pay yourself a salary beyond the company profits, your service expense may be zero. However, in a service business where you pay yourself a salary or have employees, the cost of their labor, including benefits, would be part of your cost of goods sold. Gross Profit Gross profit is calculated by subtracting the cost of goods sold from net sales. It does not include any operating expenses or income taxes. Operating Expenses These are the daily expenses incurred in the operation of your business. In this sample, they are divided into two categories: These are the salaries plus bonuses and commissions paid to your sales staff. Collateral fees are expenses incurred in the creation or purchase of printed sales materials used by your sales staff in marketing and selling your product. Promotion fees include any product samples and giveaways used to promote or sell your product. These represent all costs involved in creating and placing print or multimedia advertising. These include any other costs associated with selling your product. They may include travel, client meals, sales meetings, equipment rental for presentations, copying, or miscellaneous printing costs. These are the salaries of full- and part-time office personnel. This is the fee incurred to rent or lease office or industrial space. These include costs for heating, air conditioning, electricity, Internet, and phone usage incurred in connection with your business. Depreciation is an annual expense that takes into account the loss in value of equipment used in your business. Some examples of equipment that may be subject to depreciation include computers, office furniture, automobiles, and buildings that you own. Expense items that do not fall into any of the above categories or cannot be clearly associated with a particular product or function are considered to be other overhead costs. These types of expenses may include insurance, office supplies, or cleaning services. More financial statements samples for your business: Sample Business Plan financials Total Expenses This is a tabulation of all expenses incurred in running your business, exclusive of taxes or interest expense on interest income, if any. Net Income Before Taxes This number represents the amount of income earned by a business prior to paying income taxes. This figure is arrived at by subtracting total operating expenses from gross profit. Taxes This is the amount of income taxes that you owe to the federal government and, if applicable, state and local government. Net Income This is the amount of money the business has earned after paying income taxes.

Chapter 3 : Financial Statements for a Small Business â€“ Basic Accounting Help

Get up to speed on the financial statements that you or your financial professional will generate for your business firm. These financial statements will help you determine your firm's financial position at a given point in time, as well as over a period of history, and your cash position at any point in time.

January 22, Preparing and understanding financial statements for a small business. Do you prepare financial statements for your small business? What do you do with them after you prepare and print them out? Are they stuck in a file never to see the light of day again? Then we can take that information and analyze it to see how our business has been doing and what direction it is headed. The financial statements for a small business are the maps of your business. They show where you have been, where you are right now, and where you are going. There are three main reports that make up financial statements for a small business. Profit and Loss Statement Balance Sheet Statement of Cash Flows The income statement shows where you have been, the balance sheet shows where you are now, and the cash flow statement shows if you got the money to go where you need and want to go. Importance of Financial Statements for a Small Businessâ€¦ Some of you are thinking you can figure all that out without going to the trouble of preparing financial statements for a small business. Good luck with that; however, let me give you some for instances where you might wish you had taken the time to prepare some financial statements: You get an unbelievable offer to buy your businessâ€¦but they want to see your financial statements for the last 5 years. You find a piece of equipment at a ridiculously low price that you just have to have, but your banker wants your financial statements for the last 3 years first. You found a supplier that is going to be able to provide you with better materials at a cheaper price, but he wants to see a copy of your financial statements first. Your brother-in-law just won the lottery and wants to invest in your business, but his financial adviser wants to see your financial records first. I have a friend that goes to all the trouble to record her financial transactions in QuickBooks but has not taken the time to visit the report section and browse the unbelievable variety of reports in there. We will start with the Balance Sheet. It is what most investors, bankers, suppliers, etc. Read this page to see a sample of a Balance Sheet and to better understand what an accounting balance sheet is and what it consist of. The balance sheet shows the financial position of the firm at a point in time. The left side of the balance sheet called the debit side shows the resources of the company assets , whereas on the right side or, credit side , it shows how these resources have been funded. By definition, the funding is either by the owners equity or by others liabilities. This amount has been funded with liabilities, and 41, equity. The equity consists of 40, paid-in capital, which is the amount of money raised by issuing shares. For corporations the amount raised by issuing shares is presented separately from the profits retained in the company. For sole proprietorships â€” a business owned and ran by a single individual with no separate legal entity for the business â€” paid-in capital and retained earnings are not shown separately. Liabilities and equity are a means to attract capital for funding of assets. More debt or equity means that the firm can buy more assets. Conversely, paying accounts payable, repaying a loan, buying back shares or paying out a dividend decreases the assets. The optimal amount of debt and equity, as well as the optimal mix between the two is outside the domain of financial accounting. Since the balance sheet shows the assets and the funding of the assets liabilities and equity at a point in time, it is not possible to infer the performance of the firm from the balance sheet. This is because performance is measured over a period. The income statement and the cash flow statement are used for this purpose discussed later. Since assets are presented on the debit side of the balance sheet and liabilities and equity on the credit side, the accounting equation implies the fundamental equation in accounting that total debits should equal total credits at all times. It is important to know that the accounting process is governed by accounting principles that sometimes are very binding and sometimes provide some flexibility. Sometimes economic assets are not allowed to be recognized as accounting assets by accounting principles. This generally is the case when it is difficult to determine the value of the asset. In general, application of accounting principles results in the situation where the book value of assets and equity is below the market value of assets and equity , since book assets are usually understated. This difference is expressed by the market-to-book ratio dividing the market value of equity by the book value of equity. Hence, it only keeps track of items on the balance sheet. The accounting equation for transactions The accounting equation states that all assets are funded by either the owners equity or others liabilities: The accounting equation refers to the balance sheet, where assets are shown on the debit side and the funding liabilities and equity on the credit side. If the accounting equation holds for the balance sheet at a point in time, it must hold for the beginning of period balance sheet as well as the end of period balance sheet. It then logically follows the accounting equation must also hold for changes; i. For each transaction the accounting equation is shown. The firm is incorporated on the 1st of January, 20X0. The owner, Betty, pays 40, cash for 10, shares. Following the accounting equation, cash an asset will increase by 40,, as well as paid in capital equity increases by 40,

Chapter 4 : 15+ Financial Statement Templates for Excel

My colleague recently wrote about the importance of closing your business's books at the end of your fiscal year. A few of you reached out to us after reading her post, asking for more about some of the financial statements that Melissa mentioned.

Based in the Washington, D. Getty Images A business plan is all conceptual until you start filling in the numbers and terms. You do this in a distinct section of your business plan for financial forecasts and statements. The financial section of a business plan is one of the most essential components of the plan, as you will need it if you have any hope of winning over investors or obtaining a bank loan. Realize that the financial section is not the same as accounting. Many people get confused about this because the financial projections that you include--profit and loss, balance sheet, and cash flow--look similar to accounting statements your business generates. But accounting looks back in time, starting today and taking a historical view. Business planning or forecasting is a forward-looking view, starting today and going into the future. They are going to want to see numbers that say your business will grow--and quickly--and that there is an exit strategy for them on the horizon, during which they can make a profit. Any bank or lender will also ask to see these numbers as well to make sure you can repay your loan. It should be a guide to running your business," Pinson says. One way, Berry says, is to break the figures into components, by sales channel or target market segment, and provide realistic estimates for sales and revenue. But if you break the guess into component guesses and look at each one individually, it somehow feels better," Berry says. For example, what you see in the cash-flow plan might mean going back to change estimates for sales and expenses. Start with a sales forecast. Set up a spreadsheet projecting your sales over the course of three years. Set up different sections for different lines of sales and columns for every month for the first year and either on a monthly or quarterly basis for the second and third years. Because you want to calculate gross margin. The best way to do that, Berry says, is to look at past results. Create an expenses budget. Berry likes to differentiate between fixed costs i. Berry recommends you go with simple math. He says multiply estimated profits times your best-guess tax percentage rate to estimate taxes. And then multiply your estimated debts balance times an estimated interest rate to estimate interest. Develop a cash-flow statement. This is the statement that shows physical dollars moving in and out of the business. You base this partly on your sales forecasts, balance sheet items, and other assumptions. If you are operating an existing business, you should have historical documents, such as profit and loss statements and balance sheets from years past to base these forecasts on. If you are starting a new business and do not have these historical financial statements, you start by projecting a cash-flow statement broken down into 12 months. Some business planning software programs will have these formulas built in to help you make these projections. This is your pro forma profit and loss statement, detailing forecasts for your business for the coming three years. Use the numbers that you put in your sales forecast, expense projections, and cash flow statement. You also need a projected balance sheet. Some of those are obvious and affect you at only the beginning, like startup assets. A lot are not obvious. Then figure out what you have as liabilities--meaning debts. The three-year income projection will enable you to undertake this analysis. How to Use the Financial Section One of the biggest mistakes business people make is to look at their business plan, and particularly the financial section, only once a year. And then use those comparisons to revise projections in the future. Pinson also recommends that you undertake a financial statement analysis to develop a study of relationships and compare items in your financial statements, compare financial statements over time, and even compare your statements to those of other businesses. Part of this is a ratio analysis. She recommends you do some homework and find out some of the prevailing ratios used in your industry for liquidity analysis, profitability analysis, and debt and compare those standard ratios with your own. You should be utilizing your financial statements to measure your business against what you did in prior years or to measure your business against another business like yours. This is a summary of your business from its start to the present. Sometimes a bank might have a section like this on a loan application. All of the various calculations you need to assemble the financial section of a business plan are a good reason to look for business planning software, so you can have this on your computer and make sure you get this right. Software programs also let you use some of your projections in the financial section to create pie charts or bar graphs that you can use elsewhere in your business plan to highlight your financials, your sales history, or your projected income over three years.

Chapter 5 : How Do I Create a Financial Statement? | calendrierdelascience.com

Financial statements are usually required by lenders when a business is seeking a loan or as part of an annual statement released by a corporation at the conclusion of the fiscal year. Types.

Email this Article Print This Article As a small business coach, many times I will start the initial conversation with a new client by asking the business owner: What are the financial statements? I have gotten such perplexing answers as: A bunch of numbers on a piece of paper? Does it have to do with a balance sheet? Are there revenues involved or is that even on a balance sheet? Does it involve revenues or gross profits? My business partner, Jack Mencini and I have seen grown, husky men cry when we ask them to tell us what they see on their financial statements and tell us what the numbers mean. Most small business CPAs are missing out on the opportunity to teach their clients the numbers by having their clients present the numbers. Most business owners know they should know these numbers, and after being in business for several years, most people assume the business owner knows the numbers. With solid understanding of the financial statements, a small business owner will know, and more importantly, understand on how to take action. Knowing what the numbers represent and what they are telling you, allows you, as a business owner, to succeed on purpose. In turn, the small business owner will turn to their CPA or financial person and that individual says: Typically the CPA thinks communication is great, but the owner is typically frustrated. Why You Need to Understand Financial Statements A big reason why understanding the financials is so important is that it allows you, as the owner, to do one of the most important things for your business, which is to create a profit plan for your business. You may have heard it called a budget, but budgets often miss a key component, which is the sales forecast and not just expenses. So the first step for you, as a business owner, is to figure out what all the numbers on your profit and loss and balance sheet mean. In fact, it becomes tremendously empowering. Picture having a road map for the next year for how your business is going to make money over the next 12 months. That is usually hard to imagine for most business owners. I asked him what his goal was for the year. Late paying clients, which resulted in Accounts Receivables piling up. I wish you could have seen the smile on his face. He had been wrestling with this question for a while and now he finally had an answer! If you put a good plan together, it is surprising and exciting to achieve the plan and be focused. By understanding the financial statements, as a small business owner, you will begin to take management action to make things happen. Running a company successfully is not nearly as hard as some people make it out to be. Understanding your numbers is a key first step to simplifying that process. Those small business owners who have reached out to coaches to help them understand financial statements take on a new demeanor that is a mix of being calm and excited. It boils down to the confidence they have in their plan and running their business. At the point of knowing that they fully understand their business, the realization surfaces that they can steer their business in the direction for sustainability, success and profits.

Chapter 6 : Why Small Business Owners Must Understand Financial Statements - Small Business Trends

Financial statements are the report card of business. Whether you are a new investor, a small business owner, an executive, or just trying to keep track of your personal finances, you need to understand how to read, analyze, and create financial statements so you can get a full and accurate understanding of your finances.

I want to point out the wording used. Most readers believe due to hearing the term frequently that the costs section should only be called Cost of Goods Sold. Cost of Goods Sold is the generic phrase used in accounting and in the education process. However, for the small business owner, you should use the Cost of???? If you build steel structures then use Cost of Fabrication, if involved in trucking use Cost of Transportation, if involved in storage, use Cost of Warehousing and so on. Stay focused on your business so that any outside reader can quickly understand what you do for business. Remember the most common outside reader will by your bank or investment group. If they do not match, make sure the dates are the same for the two reports. If you want to have an in-depth understanding of this relationship then read: Retained Earnings â€" How it Works. Retained Earnings The equity section of the balance sheet is divided into two main groups. The first group is the investment group whereby the values reflect the initial and ongoing investment made by all owners and those with rights of ownership. Traditional impressions for most novice and intermediate business investors include the initial purchase of stock and other issues of stock. In addition this section includes preferred stock and convertible instruments. The second section of the equity section identifies the lifetime to date earnings of the business. Different terms are used depending on the nature of the business i. But the most common name is Retained Earnings. Other names for this section include: In a corporation format this section or statement identifies the lifetime to date earnings of the business. Basically the format follows the mathematical formula used to determine retained earnings as follows: For most operations this report is an annual statement therefore the beginning balance is the balance on January 1 of the year reported. Add or Subtract Extraordinary Items â€" although rare sometimes some prior period issues were reported incorrectly so their respective effect on retained earnings is inserted here to adjust the retained earnings. Ending Balance If a partnership has a limited number of partners like only three or four, the statement is sometimes columned by partners such as the following: Notice the impact the draws have on the cash of the business operation? To analyze and review the cash situation of the company the financial statements use a cash flows report. Basically the accountant takes the beginning cash balance on the first day of the reporting period and explains the changes in the cash balance that derives the ending balance. I have written an article that is really basic introduction to cash flow if you desire to learn the basics; it is an example of a really small business and how Cash Flow â€" A Basic Definition works. The report is sometimes called the Sources and Uses of Cash Report. There are two different methods to derive the change in cash balance. The first method is referred to as the indirect method which is merely a condensed version of the second method called the direct method. For you the key is that there are four values you need to use in evaluating overall performance. Three of the values are discussed below related to the respective sections of the cash flows statement. The fourth value is merely a summation of the three sections values and this is the total change in cash. Either cash increased or decreased since the start of the reporting period. This report explains how this change occurs. Remember cash is all the cash accounts combined; so it includes petty cash, your operating accounts, any trust bank accounts and the payroll account if you use one. All of these cash accounts are aggregated together for total cash in the company at the beginning and end. The difference is explained via the three sections of the report. Both methods have three sections built into the report. The following are the three sections and a short explanation related to each: It clearly states if the basic core operation of the business generated positive cash flow to ultimately add value to the business. Basically the formula involved is this: Net Income is the starting point. So we have to make adjustments. Depreciation â€" remember this is a noncash expense which is arbitrary in nature. Amortization â€" similar to depreciation except amortization is assigned to intangibles. Accounts Receivable â€" any change in the receivables over the period of time is either added or subtracted to the net income. If the receivables increased during the period this means customers did not pay their entire bill which means basically the business loaned them money like giving them cash and therefore the net income is decreased by this amount, i. If the receivables decreased during this time period, the business collected more money from customers related to the past and therefore this increase cash, remember the customers pay with cash. Accounts Payable â€" here your business borrows money from vendors or gets value from them. So if the payables increase it is no different than getting money from them, the only difference is you get some kind of good or service from them. If the payables balance decreases then you paid the balances down with cash which is a subtraction from the net income. Accruals â€" very similar to payables except you are borrowing money from other sources such as credit cards, employees via accrued payroll or even the bank for a line of credit. Therefore any increase in the value is a subtraction from net income and any decrease in value is an addition to net income. Cash Flow from Operations The formula is much more convoluted than above, but you need an accounting degree to make heads or tails of the very complicated formula. If the cash generated from operations is positive related to the above, then this is great. This is an important value to appreciate and understand as you want to know why operations generated cash or absorbed cash. Allow me to explain a little. Suppose that the final number is a negative cash flow from operations of a few thousand dollars. Well not necessarily, suppose that you paid down your payables more than the negative cash flow. Well this is a good business move. So if you reduced your debt more than your negative cash flow it must mean you earned more than enough money to accomplish this which is good business. On the flip side, suppose the number is positive several thousand dollars. OK, I would want to know what generated the positive value. If my receivables decreased more than the positive value this tells me that customers paid their bills but I may not have earned enough from the true core value of operations. So look at this report objectively and get your accountant to explain this to you when he hands the report over to you. You want to know if the core business itself generated positive cash flow. Now there are other sources of cash and uses of cash in the business. The most common use of cash generated from operations is expansion of the business. Normally this is done by purchasing more equipment. Well this is a function of investing. Cash from Investing For any business operation investing involves either spending cash to purchase fixed assets or selling fixed assets to acquire cash. These are the two primary drivers of this section of the report. Other investing activities include purchasing intangibles or selling some other assets such as disposing of a long term note or sell some options or rights to an asset. All of these are referred to as investment activities. Think of investing activities as going beyond the time period of the reporting period. The particular asset purchased or sold will either serve the business for a long period of time or was purchased in prior periods. Well this is normal so to address long term debt the third section is reported which is called financing. Cash from Financing This section of the cash flow report identifies the value associated with any borrowing and paying back on long term debt. In general it looks like this:

Chapter 7 : Financial Statements for the Small Business

Financial statements provide small business owners with the basic tools for determining how well their operations perform at all times. Many entrepreneurs do not realize that financial statements have a value.

The two most common financial statements are the income statement and the balance sheet. The income statement provides a detailed summary of all income streams of the business and all expense of the business. Income statements are generally prepared at the end of each month to summarize one month of operations and at year-end to summarize the entire year. The balance sheet provides a detailed listing of the assets and liabilities of the business at a specific point in time. Creating an Income Statement 1. Identify all of the income statement accounts on your general ledger. Income statement accounts include all income and expense accounts. Do not include asset accounts, such as bank accounts or accounts receivable. Create a spreadsheet document in a spreadsheet software program or a columnar pad, if you are preparing a handwritten financial statement. List a description for each type of income on the left side of the document, vertically, in the first column, with one income type per line. Enter the total amount of income earned for the period, recorded in the general ledger, in the column to the right of each income-type description. List a description on the left side of the document for each type of expense. Enter the total amount of expense per the general ledger in the column to the right of each line item. If you have a lot of expense detail, consider combining multiple line item expenses into one category of expense. For example, "telephone expense," "copy paper" and "break room supplies" can all be combined into one "office supplies" line item. Creating a Balance Sheet 1. Identify all the balance sheet accounts on your general ledger. Asset accounts include items such as bank accounts, accounts receivable and fixed assets. Liability accounts include items such as accounts payable or security deposits received. List a description on the left side of the document for each asset type. Enter the ending balance, per the general ledger, for each asset account in the column to the right of each description. List a description on the left side of the document for each liability account. Enter the ending balance, per the general ledger, for each liability account in the column to the right of each description. Douglas Hillman, Richard F. Norgaard; About the Author Kaye Morris has over four years of technical writing experience as a curriculum design specialist and is a published fiction author. She has over 20 years of real estate development experience and received her Bachelor of Science in accounting from McNeese State University along with minors in programming and English. Photo Credits financial report image by PaulPaladin from Fotolia.

Chapter 8 : How to Create an Income Statement for Your Business

Financial statements provide a summation of the financial operations and worth of a business. The two most common financial statements are the income statement and the balance sheet.

Chapter 9 : Balance Sheet vs. Income Statement - SMALL BIZ AHEAD

Financial statements are more than just reports of the financial condition of your business. It is also a tool that business owners use to determine the company's strengths and weaknesses. Business owners commonly use financial statement to do the following.