

Glencoe Accounting

Chapter 9: Financial Statements for a Sole Proprietorship

I-Summary

In this chapter, you learned how to prepare the financial statements for a business—the seventh step of the accounting cycle.

The income statement reports net income or net loss for the period.

The statement of changes in owner's equity offers information on how transactions of the period affected the owner's capital account.

The balance sheet summarizes asset, liability, and owner's equity accounts.

Finally, *the statement of cash flows* itemizes the inflows and outflows of cash.

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I-Quiz

1. Which financial statement contains the balances of the permanent accounts?
 - A. income statement
 - B. statement of changes in owner's equity
 - C. balance sheet
2. Which financial statement is sometimes called a *profit-and-loss statement*?
 - A. balance sheet
 - B. statement of cash flows
 - C. income statement
3. Which financial statement is considered a "snapshot in time" because it captures a specific moment rather than covers a period of time?
 - A. income statement
 - B. balance sheet
 - C. statement of cash flows
4. Which statement shows the cash that was generated and used during a specific period of time?
 - A. balance sheet
 - B. statement of cash flows
 - C. income statement

Answer Key

1. C
2. C
3. B
4. B