

FINANCIAL STATEMENT WORKSHEET

ANSWER KEY

*Use this version to check your work after completing the
provided cleaning company example worksheet.*

FINANCIAL STATEMENT WORKSHEET

This worksheet uses the accounting cycle to practice turning
business transactions into simple financial statements.

What is a Financial Statement?

A financial statement is a report that organizes the financial
information of a business and helps users understand its
financial performance and position.

Income Statement	Balance Sheet
Tells us how the business performed over a period of time	Tells us what the business owns and owes at a specific point in time
<i>Revenue - Expenses = Net Income</i>	<i>Assets = Liabilities + Equity</i>

The Accounting Cycle

Transactions

Journal Entries

T-Accounts/General Ledger

Trial Balance

*Adjustments**

Financial Statements

Closing Entries

**No adjustments are needed or used in this exercise*

STEP #1: Transactions and Journal Entries

Review the entries already completed in our journal entry exercise. Use journal entry #1 as a reference to fill in the remaining journal entries.

#	Transaction	Journal Entry
1	Start company with \$500 cash	Dr. Cash \$500 ; Cr. Equity \$500
2	Purchase supplies on account for \$400	Dr. Supplies \$400 ; Cr. Accounts Payable \$400
3	Pay \$50 cash on advertising	Dr. Advertising Expense \$50 ; Cr. Cash \$50
4	Clean Johnson home for \$100 on account	Dr. Accounts Receivable \$100 ; Cr. Service Revenue \$100
5	Collect \$100 cash from the Johnson bill	Dr. Cash \$100 ; Cr. Accounts Receivable \$100

STEP #2: T-Accounts and General Ledger

The general ledger organizes transactions by account. A T-Account is a visual model of an account, shaped as a “T” to split debits and credits.

Use the “Cash” T-Account as a reference to find the ending balances.

Cash

Debit	Credit
500	50
100	

Ending Balance: \$550 Debit

Accounts Receivable

Debit	Credit
100	100

Ending Balance: \$0 Debit

Supplies

Debit	Credit
400	

Ending Balance: \$400 Debit

Accounts Payable

Debit	Credit
	400

Ending Balance: \$400 Credit

Equity (Contributed)

Debit	Credit
	500

Ending Balance: \$500 Credit

Service Revenue

Debit	Credit
	100

Ending Balance: \$100 Credit

Advertising Expense

Debit	Credit
50	

Ending Balance: \$50 Debit

STEP #3: Trial Balance

A trial balance lists all general ledger accounts to verify that total debits equal total credits. Use “Cash” as a reference to fill in the balances.

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Cash	550	
Accounts Receivable	0	
Supplies	400	
Accounts Payable		400
Equity (Contributed)		500
Service Revenue		100
Advertising Expense	50	
Total	1000	1000

STEP #4: Income Statement

Use revenue and expense totals to build an income statement.

Income Statement **For the Month Ended January 31, 2026**

	January
Revenue	
Service Revenue	\$100
Total Revenue*	\$100
Expenses	
Advertising Expense	\$50
Total Expenses*	\$50
Net Income* **	\$50

**Revenue - Expenses = Net Income*

***At the end of the accounting period, closing entries reset revenue and expense accounts to zero so the next period can start fresh. Their balances are transferred to retained earnings, an equity account. Net income increases retained earnings and, in turn, increases total equity.*

STEP #5: Balance Sheet

Use asset, liability, and equity totals to build a balance sheet.

Balance Sheet

As of January 31, 2026

	January
Assets	
Cash	\$550
Accounts Receivable	\$0
Supplies	\$400
Total Assets*	\$950
Liabilities and Equity	
Liabilities	
Accounts Payable	\$400
Total Liabilities	\$400
Equity	
Contributed Capital	\$500
Retained Earnings**	\$50
Total Equity	\$550
Total Liabilities and Equity*	\$950

**Assets = Liabilities + Equity*

***As stated on the income statement, net income increases retained earnings and, in turn, increases total equity. Retained Earnings = Beginning Retained Earnings + Net Income - Dividends.*

$\$0 + \$50 - \$0 = \50 Retained Earnings

