**Activity 7.10.2 – Prepare Financial Statements for a Corporation**

**Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date:\_\_\_\_\_\_\_\_\_\_Class:\_\_\_\_\_\_\_**

Purpose: Demonstrate skill in preparing financial statements for a corporation.

1. Review the formulas for net income and net loss. Have your students use a Net Income Calculation spreadsheet and the after adjustments Trial Balance to do a quick calculation of net income or net loss.
2. Using the accounting software, ask your students to print these financial statements:
   1. Income Statement
   2. Statement of Stockholder’s Equity
   3. Balance Sheet
3. Have your students complete the audit test using their printed financial statements:

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| **Audit Quiz** | |
| **Income Statement:** |  |
| What is the amount of net sales? |  |
| What is the total of Operating Expenses? |  |
| Which Operating Expense is the highest amount? |  |
| What is the amount of Cost of Merchandise Sold? |  |
| What is the amount of income from operations? |  |
| What is the net income before Federal Income Tax? |  |
| What is the amount of net income after Federal Income Tax? |  |
| What is the component percentage of net sales? |  |
| What is the component percentage of cost of merchandise sold? |  |
| What is the component percentage of total operating expenses? |  |
| Giver your overall outlook of the income statement. Was the business successful this fiscal period? Describe how successful and explain why. |  |
| List at least two accounts you think should be watched or changed for the next fiscal period. |  |
| **Statement of Stockholder’s Equity** |  |
| What was the total net increase or decrease to retained earnings during this fiscal period? |  |
| What was the balance of retained earnings at the end of the fiscal period? |  |
| What was the balance of Stockholder’s Equity at the end of the fiscal period? |  |
| **Balance Sheet:** |  |
| What was the book value of Office Equipment at the end of the fiscal period? |  |
| What was the book value of Store Equipment at the end of the fiscal period? |  |
| What was the total of plant assets for this fiscal period? |  |
| How much cash did the business have at the end of the fiscal period? |  |
| What was the proving total on the balance sheet? |  |
| What is the amount of working capital? |  |
| What is the current ratio between total assets and total liabilities? |  |