The income statement and the balance sheet

Complete the following sentences by filling in the missing word:

a) The ________ gives us the financial position of the business at a given date. [1 mark]
b) In the balance sheet we look at the comparison of ________, ________, and _________. [3 marks]
c) The income statement gives a breakdown of the ________ and ________ of a business over a certain period of time. [2 marks]
d) The total earnings of a business before expenses are deducted are called the _________. [1 mark]
e) The accounts you use for drawing up the income statement are those in the ________ accounts section of your ledger. [1 mark]
f) When an amount is placed in brackets in an income statement, it indicates that it should be ________. [1 mark]
g) At the end of a balance sheet, your assets and your owner’s equity plus liabilities should _________. [1 mark]

[Total: 10 marks]
## Suggested Solutions

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| 1               | 10             | a) The **balance sheet** gives us the financial position of the business at a given date. [1 mark]  
b) In the balance sheet we look at the comparison of **assets**, **liabilities** and **owner’s equity**. [3 marks]  
c) The income statement gives a breakdown of the **income** and **expenses** of a business over a certain period of time. [2 marks]  
d) The total earnings of a business before expenses are deducted are called the **gross earnings**. [1 mark]  
e) The accounts you use for drawing up the income statement are those in the **nominal** accounts section of your ledger. [1 mark]  
f) When an amount is placed in brackets in an income statement, it indicates that it should be **subtracted**. [1 mark]  
g) At the end of a balance sheet, your assets and your owner’s equity plus liabilities should **balance**. [1 mark] |