

Solution:

(1)

Based on cash basis of accounting, there is only one transaction that involved cash, namely the expenses \$170,000.

Thus, in terms of cash basis, there is a net loss of \$170,000.

$$\text{Net Income (Loss)} = \$(-170,000)$$

(2)

Based on accrual basis of accounting, the income is given by:

$$\text{Net Income (Loss)} = \$240,000 - (\$170,000) = \$70,000$$

Note that the increase in accounts receivables does not affect income.

(3)

The second one, because it shows the real performance