

THE EFFECT OF DRAWINGS, REVENUE, AND EXPENSES ON THE BALANCE SHEET

The owner's drawings account and the company's net income or net loss are recorded in the owner's equity section of the balance sheet.

If a net income is earned, it is Added to the capital.

If a net loss occurs, this amount is this amount is SUBTRACTED from capital.

Capital Increases if the owner invests more into the business.

Capital decreases if the owner withdraws assets from the business.

Eg. Owner's Equity

combined effect of drawings and income

M. Kielbasa, Capital October 1		\$20 000-
Add: Net Income for October	\$3 000-	
Less: M. Kielbasa, Drawings	<u>1 000-</u>	
Increase in Capital		<u>2 000-</u>
M. Kielbasa, Capital October 31		\$22 000-
less: Net LOSS		

Report Form Balance Sheet

- record assets, liabilities, and O/E vertically.
- differs from an "account form" balance sheet which lists assets on the left side and liabilities and O/E on the right side.
- see example provided.

Financial Statements are prepared at the end of the fiscal period in the following order.

1. Trial Balance (acts as a check to see if DR=CR)
2. Income Statement
3. Balance Sheet (net income/loss is required from the income statement)

REPORT FORM BALANCE SHEET

Hill's Sports Club Balance Sheet as at October 31, 19--

Assets

Cash	\$ 7,650	
Accounts Receivable	2,700	
Office Supplies	695	
Land	25,000	
Building	110,000	
Training Equipment	99,235	
Total Assets		<u>\$245,280</u>

Liabilities and Owner's Equity

Liabilities

Accounts Payable	\$ 11,600	
Bank Loan	63,000	
Mortgage Payable	80,000	
Total Liabilities		\$154,600

Owner's Equity

K. Dubord, Capital October 1	\$ 86,655	
Add: Net Income for October	\$ 5,225	
Less: K. Dubord, Drawings	<u>1,200</u>	
Increase in Capital	<u>4,025</u>	
K. Dubord, Capital October 31		<u>90,680</u>
Total Liabilities and Owner's Equity		<u>\$245,280</u>