

Statement of Financial Position

ABC Store, Inc
Statement of Financial Position
As of December 31, 20x1

Cash	26,525
Accounts Receivable	20,000
Inventory	20,000
Land	30,000
Other assets	183,475
Total Assets	300,000

Accounts Payable	20,000
Accrued expenses	15,000
Tax liability	25,000
Income Tax payable	14,450
Loans Payable	40,000
Total Liabilities	114,450

ABC Store, Capital	155,550
Common stock	10,000
Retained Earnings	20,000
Total Equity	185,550

Total Liabilities and Equity	300,000
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Statement of Financial Position is also known as the Balance Sheet. Under the Balance Sheet, it has the elements of Asset, Liability and Equity. Under the Accounting equation, Assets should be equal to the sum of Liabilities and Owner's Equity.

Like the example, the Total Assets is 45,000 and the Total Liabilities and Equity should also be 45,000.

Notice that the Statement of Financial Position title date is "As of" because Balance sheet accounts are permanent accounts wherein Asset, Liabilities and Equity accumulates (carried over to next period).

Users of Financial Statements use the Statement of Financial Position to make judgement about a company's valuation and creditworthiness, allowing the intended users to

Statement of Financial Performance

ABC Travel Service		
Statement of Financial Performance		
For the Year Ended December 31, 20x1		
Service Fee		263,000
Expenses:		
Wages Expense	131,700	
Office Expense	63,000	
Miscellaneous Expense	12,950	
Total expenses		<u>207,650</u>
Net Income		<u><u>55,550</u></u>

Statement of Financial Performance is also known as the Income Statement. Under the Balance Sheet, it has the elements of Income and Expenses.

Like the example, the Income (Service Fee) is 263,000 and the Total Expenses is 207,650. The 55,550 excess of the revenue over the expenses is called **Net income**. Suppose Total Expenses is greater than the Income, the excess is called **Net loss**.

Notice that the Statement of Financial Performance title date is "**For the Year Ended**" because Income Statement accounts are temporary accounts (also known as temporary accounts) wherein Income and Expense accounts are closed at the end of the period using the Closing Journal Entries.

Users of Financial Performance identifies how well a company generates revenues and manages its assets, liabilities, and financial interests of shareholders.