

**BASIC FINANCIAL STATEMENT FORMAT – PARTNERSHIP ©**  
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**Note: When preparing financial statements by hand the Income Statement would usually be prepared first because the net income or loss becomes part of the Statement of Partners' Capital. The Statement of Partners' Capital is usually prepared second because the ending partners' capital balances become part of the Balance Sheet.**

**Note: Corporations are subject to income taxes but sole proprietorships and partnerships are not. Otherwise the income statements of each are identical.**

**Income Statement (single-step format):**

HANSON RETAIL FOOD STORE  
 Income Statement  
 Year Ended December 31, 2006

Net Sales		\$262,000
Rent revenue		6,900
Interest revenue		1,400
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Total Revenue		270,300
Expenses:		
Cost of Goods Sold	\$159,000	
Salaries and wages	45,000	
Advertising	12,400	
Freight out	4,000	
Depreciation	5,000	
Taxes and licenses	3,000	
Rent	6,300	
Interest expense	350	
Loss on sale of assets	250	
Property taxes	2,000	
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Total expense		237,300
		-----
Net Income (loss)		\$ 33,000
		=====

**Note: Owner's equity statements of corporations are called Statement of Retained Earnings, those of sole proprietorships are called Statement of Capital and those of partnerships are called Statement of Partners' Capital.**

**Statement of Partners' Capital:**

HANSEN RETAIL FOOD STORE  
 Statement of Partner's Capital  
 Year Ended December 31, 2005

	John Soo	Mary Doe	Totals
Beginning balance	\$ 24,000	\$ 33,000	\$ 57,000
Net income (loss)	16,500	16,500	33,000
	40,500	49,500	90,000
Withdrawals	500	1,500	2,000
Ending balance	\$ 40,000	\$ 48,000	\$ 88,000
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**Note: Balance Sheets of corporations have a Shareholders' Equity section whereas sole proprietorships have an Owner's Capital section and partnerships have a Partners' Capital section. Otherwise the Balance Sheets would be identical.**

**Balance Sheet:**

HANSEN RETAIL FOOD STORE  
Balance Sheet  
December 31, 2006

ASSETS	
Current Assets:	
Cash	\$ 3,000
Short-term investments/marketable securities	6,000
Accounts receivable, net	5,000
Inventory	10,000
Prepaid rent	2,000
Office supplies on hand	1,000
Total current assets	<u>27,000</u>
Long-Lived Assets:	
Long-term investments	\$ 10,000
Land	35,000
Building	86,000
Machinery & equipment	50,000
Less accumulated depreciation	( 23,000)
Patents	<u>4,000</u>
Total long-lived assets	<u>162,000</u>
Total Assets	<u>\$189,000</u> =====
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 4,200
Notes payable	15,000
Interest payable	1,000
Wages payable	800
Total current liabilities	<u>21,000</u>
Long-Term Liabilities:	
Mortgage payable	\$ 30,000
Bonds payable	<u>50,000</u>
Total long-term liabilities	<u>80,000</u>
Total Liabilities	<u>101,000</u>
PARTNERS' CAPITAL	
John Soo, Capital	40,000
Mary Doe, Captial	<u>48,000</u>
Total Partners' Capital	<u>88,000</u>
Total Liabilities and Owner's Equity	<u>\$189,000</u> =====