# Activity 1 chapter 1 Crossword Puzzle



**Across**

5. Statement reporting all amounts as percentages   
(2 Words)

7. Analysis used to compare revenues over a 5-year period

12. Net income earned, but not yet distributed to stockholders (2 Words)

14. Analysis revealing relationships among two or more accounts

16. Activity including cash transactions involving long-term assets

17. Statement reporting assets and how they are financed (abbreviation)

18. Statement reporting changes in contributed capital and retained earnings (2 Words)

20. Assets = Liabilities + \_\_\_\_ (abbreviation)

21. Activity including cash transactions from a company's central business

22. Measures how efficiently assets are used to generate revenue (2 Words)

24. Amounts owed

25. Proportion of assets financed by debt (2 Words)

26. Statement reporting changes in cash (2 Words)

28. Reveals how efficiently assets generate profits  
(3 Words)

**Down**

1. System for recording, classifying, and summarizing financial information

2. Wholesale costs of inventory sold (abbreviation)

3. Activity including cash transactions that involve stockholders and creditors

4. Amounts earned selling to or servicing customers

6. Items of value

8. Costs incurred to produce revenues

9. Rules for preparing the financial statements (abbreviation)

10. Amounts paid-in by stockholders to purchase stock   
(2 Words)

11. Amounts to be paid to suppliers (2 Words)

13. Principle that requires assets be recorded at the amount paid for them (2 Words)

15. Statement reporting profitability (2 Words)

19. Profit (loss), earnings, or the bottom line (2 Words)

23. Proportion of profit from revenue (abbreviation)

27. Amounts to be received from customers (abbreviation)

# Activity 2 THE FOUR FINANCIAL STATEMENTS

**Purpose**: • Identify the four financial statements.

• Understand the basic information provided by each financial statement.

**Accounting** is the system of recording, classifying, and reporting financial information. Four financial statements report this information: balance sheet, income statement, statement of stockholders’ equity, and the statement of cash flows.

**BALANCE SHEET**

Assets Liabilities

Stockholders’ equity

The Balance Sheet (BS) provides a snapshot of a company’s financial position as of a certain date. It reports **assets,** items of value such as inventory and equipment, and whether the assets are financed with **liabilities** (debt) or **stockholders’ equity** (equity).

**INCOME STATEMENT**

Revenues

(Expenses)

Net income

The Income Statement (IS) reports the company’s profitability during an accounting period. It reports **revenues**, amounts received from customers for products sold or services provided, and **expenses,** the costs incurred to produce revenues. The difference is **net income.**

**STATEMENT OF STOCKHOLDERS’ EQUITY**

Retained earnings, beginning Contributed capital, beginning

+ Net income + Issuance of shares

(Dividends) (Repurchase to retire shares)

Retained earnings, ending Contributed capital, ending

The Statement of Stockholders’ Equity (SE) reports if the **earnings** (net income) of this accounting period are distributed as **dividends** or retained in the business as **retained earnings**. It also reports amounts paid-in (contributed) by stockholders to purchase common stock and preferred stock.

**STATEMENT OF CASH FLOWS**

Cash inflows

(Cash outflows)

Change in the cash account

The Statement of Cash Flows (CF) reports cash inflows and cash outflows during an accounting period.

Q1 Which financial statement reports:

a. whether assets are primarily financed with debt or equity? (BS **/ IS / SE / CF**)

b. whether the company was profitable or not? (**BS /** IS **/ SE / CF**)

c. cash received from customers during the accounting period? (**BS / IS / SE /** CF)

d. dividends declared by the board of directors for shareholders? (**BS / IS /** SE **/ CF**)

e. retained earnings at the beginning of the accounting period? (**BS / IS /** SE **/ CF**)

f. the expenses of a corporation? (**BS /** IS **/ SE / CF**)

g. the assets of a corporation? (BS **/ IS / SE / CF**)