

Step 1: Prepare the Income Statement

Eli's Consulting Services									
Income Statement									
Month Ended December 31, 2019									
Revenue									
Fees Income									4 7 0 0 0 0 0 0
Expenses									
Salaries Expense									8 0 0 0 0 0 0 0
Utilities Expense									6 5 0 0 0 0 0 0
Total Expenses									8 6 5 0 0 0 0 0
Net Income									3 8 3 5 0 0 0 0

Step 2: Prepare the Statement of Owner's Equity

Eli's Consulting Services									
Statement of Owner's Equity									
Month Ended December 31, 2019									
Trayton Eli, Capital, December 1, 2019									1 0 0 0 0 0 0 0
Net Income for December									3 8 3 5 0 0 0 0
Less Withdrawals for December									5 0 0 0 0 0 0 0
Increase in Capital									3 3 3 5 0 0 0 0
Trayton Eli, Capital, December 31, 2019									1 3 3 3 5 0 0 0

Step 3: Prepare the Balance Sheet

Eli's Consulting Services									
Balance Sheet									
December 31, 2019									
Assets					Liabilities				
Cash									3 5 0 0 0 0 0 0
Accounts Receivable									
Supplies									
Prepaid Rent									
Equipment									
Total Assets									1 3 6 8 5 0 0 0
					Owner's Equity				
					Trayton Eli, Capital				
					1 3 3 3 5 0 0 0				
					Total Liabilities and Owner's Equity				
					1 3 6 8 5 0 0 0				

FIGURE 2.6

Process for Preparing Financial Statements

Net income (or loss) is transferred to the statement of owner's equity.

The ending capital balance is transferred to the balance sheet.