(2 point) 1. What is the difference between the balance sheet and the income statement?

The balance sheet reports the company's financial position at a specific point in time whereas the income statement reports the company's financial position over a period of time.

(3 points) 2. State any 3 financial ratios that can be used to determine a company’s financial performance.

Return on Assets, Return on Equity, Profit Margin, Gross Margin, EPS, Price/Earnings, Sales/Asset, Current Ratio, Inventory/Sales, Debt/Equity, etc …

(5 points) 3. For each item listed, select the letter of the accounting term it best describes (You may use each letter more than once)

A. Asset
B. Liability
C. Shareholder’s Equity

1. ___C__ Preferred Stock
2. ___A__ Land
3. ___B__ Accrued Expenses
4. ___A__ Patent
5. ___A__ Accounts Receivable
6. ___A__ Inventory
7. ___B__ Taxes Payable
8. ___A__ Pre-paid Insurance
9. ___B__ Accounts Payable
10. ___C__ Retained Earnings