Req. 1

LIST ELECTRIC REPAIR COMPANY, INC.
Income Statement
For the Three Months Ended December 31, 2011

Revenues:
  Electric repair services—cash $32,000
    —credit 3,500
  Total revenues $35,500

Expenses:
  Electrician's assistant (wages) 7,500
  Payroll taxes 175
  Supplies used on jobs 9,500
  Oil, gas, and maintenance on truck 1,200
  Insurance 700
  Rent ($500+$250) 750
  Utilities and telephone 825
  Miscellaneous expenses 600
  Depreciation of truck and tools (use) 1,200
  Total expenses 22,450

Pretax Income 13,050
  Income taxes 3,930

Net Income $ 9,120

Req. 2

Because the above report reflects only revenues, expenses, and net income, it is reasonable to suppose that Sam would have need for the following:

(1) A statement that reports for the business, at the end of 2011, each asset (name and amount such as Cash, $XX), and each liability (such as Income taxes payable, $XX), and stockholders' equity; that is, a balance sheet.

(2) A statement of the sources and uses of cash during the period; that is, a statement of cash flows.

(3) A statement of retained earnings that shows how net income and dividends affect retained earnings on the balance sheet.