*marty*GRASS

DIY Financial Statements

Marty runs a very profitable landscaping business called "martyGRASS". While Marty is skilled at running his business, he has never been very good with the financial side of things. He is applying for a loan at the bank and they have asked him for a balance sheet and income statement. He asks your team to help prepare these financial statements for him. This is what he can tell you about his business in 2017 (the most recent fiscal year):

Info for Income Statement (for the year ended December 31, 2017)

- Marty sold $40,000 worth of plants and landscaping supplies to his customers (they cost him $20,000).
- In addition, the business received $60,000 from customers for lawn care services (these services cost him $25,000 in salaries, gas, oil, and maintenance).
- His general and administrative expenses (Marty's salary and office expenses) were $30,000.
- His sales and marketing expenses (advertising, flyers, etc.) were $5,000.
- Miscellaneous operating expenses were $3,500.
- He had interest expenses on his credit card and truck loan totaling $1,500.
- He paid taxes of $3,000.

Info for Balance Sheet (as of December 31, 2017)

- He has $12,000 in his bank accounts.
- His customers owe him $8,000.
- He has plants and landscaping supplies on hand of $10,000.
- He has office supplies on hand of $2,000.
- He has mowers and other equipment worth $11,000.
- He has a truck worth $22,000.
- He has total credit card debt of $15,000.
- He owes $10,000 on his truck loan.

Questions *(work in pairs; each member of your team must turn in responses to the questions below)*

1. Your team should use the information above to prepare an income statement and balance sheet for Marty on a separate sheet of paper (or in Excel!). Use the examples in the online CFIN book to help.

2. Discuss with your team what you can learn from an income statement about a company's strengths and weaknesses that you cannot learn from a balance sheet. What does a balance sheet offer that cannot be learned from an income statement? Write your response below. *(50 word minimum)*