

**Lesson 2 – Financial statements
Model Answers to Practice Questions**

Question 2.1

Identify **each** of the following statements as being either true or false:

Statement	True ✓	False ✓
A trading and profit and loss account is prepared to show the financial position of a business as at a particular point in time		✓
The bookkeeping system and the financial statements are linked as financial statements are prepared using account balances from within the bookkeeping system	✓	
The trading and profit and loss account shows that a business's income from sales in an accounting period is higher than the cost of the goods sold, and the expenses of running the business. Therefore, the business has made a net profit in the period	✓	
Net profit is transferred from the trading and profit and loss account to the owner's capital account at the end of an accounting period. The net profit increases the owners claim on the assets of the business	✓	

Question 2.2

Which one of the following financial statements is a list of account balances showing a business's assets capital and liabilities as at a particular point in time:

	✓
Trading and profit and loss account	
A balance sheet	✓
Ledger	