


Slide 1

2.3 Retained Earnings

Objectives

- Purpose
- Formats
- How it ties to the Balance Sheet and Income Statement




Slide 2

Purpose

□ Purpose

- account for income saved over time to reinvest into the company
- account for payments to owners




Slide 3

Format

Company Name
Statement of Retained Earnings
For the year ended December 31, 2002


Beginning Retained Earnings	\$45,000
Net Income	\$30,000
Less Dividends	(\$5,000)
Ending Retained Earnings	\$70,000



Slide 4

Retained Earnings


- Please pull up the IncomeStatement.doc and Balancesheet.doc for this discussion. As I recommended earlier a printed version to refer to during discussion is ideal.



Slide 5

Prepare a statement of Retained Earnings in good form

- Prepare a Statement of Retained Earnings for Big Ben Co. for the year ending 12/31/04
- Beginning Retained Earnings \$130,000
- Dividends declared and paid 26,000
- Net Income 72,000



Slide 6

Solution to Retained Earnings Problem

Big Ben Co.
Statement of Retained Earnings
For the year ending 12/31/04

Beginning Retained Earnings	\$130,000
Net Income	72,000
Dividends	<u>(26,000)</u>
Ending Retained Earnings	<u>\$176,000</u>

