**Exercise 1**

Put (x) in the appropriate column:

|  |  |  |  |
| --- | --- | --- | --- |
| items | assets | liabilities | equity |
| Cash |  |  |  |
| Equipment |  |  |  |
| Trade receivables |  |  |  |
| Net loss – current year |  |  |  |
| Trade payables |  |  |  |
| Building |  |  |  |
| Loans Outstanding – current |  |  |  |
| Share capital |  |  |  |
| Wages |  |  |  |
| Long-term Debt |  |  |  |
| Retained earnings |  |  |  |
| Lands |  |  |  |
| Inventory |  |  |  |

**Exercise 2**

Put (x) in the appropriate box:

|  |  |  |
| --- | --- | --- |
| items | revenue | expenses |
| Salaries |  | x |
| Interest rate on loan |  | x |
| Sales of goods | x |  |
| Rent |  | x |
| Loan fees |  | x |
| Material consumption |  | x |
| Sales of products | x |  |
| Depreciation |  | x |
| Interest on deposits | x |  |
| Sales of services | x |  |

**Exercise 3**

A company reported the following data for the year:

* Assets: $1,200,000
* Liabilities: $500,000

Calculate the company's equity.

**Exercise 4**

Company XYZ started operations with an initial investment of $1,000,000. During the first year, it had revenue of $600,000 and expenses of $400,000. What is the net income, and how does equity change?

**Exercise 5**

A company had revenue of $3,000,000 and expenses of $2,200,000 in 2023. Calculate the net profit.

**Exercise 6**

ABC company starts a business and introduces capital of $20,000. He also obtains a loans of $12,000 to purchase non-current assets.

* What is the amount of his opening net assets?
* Record the change in balance sheet items
* Determine the value of assets, liabilities and equity

**Exercise 7**

A company has the following items on 31 December. Land $60,000, trade payables $8,000, inventory $18,000, amounts owed for rent on 31 December $1,800, cash in hand $5,000, loans $6,800, trade receivables $7,200 and equipment $10,000, sales $5,500.

1. How much is the company worths – i.e. what is its capital (equity) on 31 December?
2. If, six months later, the capital has increased by $8,000, what reasons could account for this?
3. If, six months later, the capital has decreased by $4 ,000, what could be the reason for this decrease?

**Exercise 8**

Alan sets up a business. Before he actually sells anything, he has bought the following:

* Motor vehicles $2,000
* Premises $5,000
* Goods for resale $1,000

He did not pay in full for the goods for resale and still owes $400 for them. He borrowed $3,000 from a friend for the business. After the above transactions, he has $100 cash in hand and $700 in the bank.

Calculate the owners´ equity (OE) of the business.

**Exercise 9**

Prepare:

* An income statement
* A retained earnings statement
* A statement of financial position (balance sheet)
* A statement of cash flows

Items:

1. equipment $7,000
2. sales for service $4,700
3. cash payments for expenses $7,000
4. salaries and wages $900
5. dividends paid $1,300
6. inventory $1,600
7. utilities expense $200
8. cash receipts from revenues $15,050
9. cash ?
10. accounts payable $1,600
11. advertising $250
12. accounts receivable $1,400
13. rent $600

**Exercise 10**

Prepare:

* An income statement
* A retained earnings statement
* A statement of financial position (balance sheet)
* A statement of cash flows

Items:

1. Equipment – $8,500
2. Sales for service – $5,200
3. Cash payments for expenses – $6,800
4. Salaries and wages – $1,100
5. Dividends paid – $1,500
6. Inventory – $2,000
7. Utilities expense – $300
8. Cash receipts from revenues – $14,750
9. Cash ?
10. Accounts payable – $1,900
11. Advertising – $400
12. Accounts receivable – $1,700
13. Rent – $700