

### **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.

- a) How much is the company worths – i.e. what is its capital (equity) on 31 December?
- b) If, six months later, the capital has increased by \$8,000, what reasons could account for this?
- c) 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