

### 3. Statement of Retained Earnings, Stockholders' Equity, and Cash Flows

#### Exercise 1

A company reported a beginning retained earnings of \$500,000. The net profit for the year was \$200,000, and dividends paid were \$50,000.

- Calculate the ending retained earnings.

#### Exercise 2

Company Alpha Ltd. had a retained earnings balance of \$1,500,000 on January 1, 2024. During 2024, it earned a net income of \$750,000 and paid dividends of \$200,000.

#### Questions:

- a) Calculate the retained earnings balance as of December 31, 2024.
- b) How would this statement look in a structured format?

#### Exercise 3

Company Beta Inc. had the following stockholders' equity components at the beginning of the year:

- Common stock: \$5,000,000
- Additional paid-in capital: \$500,000
- Retained earnings: \$2,000,000

During the year, the company issued new shares worth \$1,000,000 and paid dividends of \$300,000.

#### Questions:

- a) What is the final stockholders' equity balance?
- b) How did the stockholders' equity change over the year?

#### Exercise 4

Company Gamma Ltd. reported the following cash flows for 2024:

- Net income: \$1,200,000
- Depreciation: \$300,000
- Increase in inventory: \$150,000
- Loan repayment: \$400,000
- Purchase of new equipment: \$600,000
- Issuance of new shares: \$900,000

#### Questions:

- Classify the cash flow items into operating, investing, and financing activities.
- What is the net cash increase/decrease?

#### Exercise 5

For the following items, decide (x) whether they are assets or equity or liabilities.

Item	Assets		Equity and Liabilities	
	FA or NCA	CA	Equity	Liabilities
Land				
Reserve fund				
Automobile				
Ware				
Money in the cash register				
Registered capital				
Short-term loan from a bank				
Production line				
Repair reserve				
Furniture				
Money in bank account				
Material in stock				
Liabilities to suppliers				
Building				
Profit				
Software				
Receivables from employees				
Postage stamps				
Lathe				
Social Fund				
Loss				
Computer				
Commitments to employees				
Goods in stock				
Accounts receivable				

Item	Assets		Equity and Liabilities	
	FA or NCA	CA	Equity	Liabilities
Securities intended for trading				
Unfinished production				

### Exercise 6

The following accounting transactions took place in the accounting entity. Indicate what change (+/-) in the balance sheet this is.

C.	Accounting case	CZK	A	E+L
1.	Depositing money into a current account	600,000		
2.	Purchase of materials from suppliers on invoice	150,000		
3.	Payment of invoice for materials from bank loan	150,000		
4.	Purchase of a car from a supplier on invoice	350,000		
5.	The invoice for the car was paid from the BÚ	350,000		
6.	Payment of net wages to employees from the BÚ	80,000		
7.	Payment received from customers at the BÚ	420,000		
8.	Money was withdrawn from the BÚ to the treasury.	60,000		
9.	Buying a highway vignette in cash	5,000		
10.	Tax owed paid from BÚ	23,000		
11.	Part of the profit transferred to the reserve fund	170,000		
12.	Money was withdrawn from the BÚ to the treasury.	100,000		
13.	Purchasing goods in cash	40,000		
14.	Part of the profit intended for the payment of profit shares	120,000		
15.	The rest of the profit is kept as retained earnings.	30,000		
16.	Money from a long-term loan credited to a current account	500,000		
17.	Purchase of a machine on invoice from a supplier	630,000		
18.	The invoice from the supplier for the machine was paid from the BÚ	630,000		
19.	Part of the long-term loan repaid from the BÚ	150,000		
20.	Money transferred from the cash register to the bank account	50,000		

### Exercise 7

For the following items, decide whether they are expenses or income. Indicate what type of expense/revenue they are.

Item	Expense	Revenue
Energy consumption		
Travel expenses		
Revenue from the sale of securities		
Revenue from the sale of goods		
Goods sold (decrease)		
Securities sold (decrease)		
Postage		
Material consumption		
Revenue from the sale of the machine		
Loan interest		
Repairs to fixed assets		
Interest on a current account		
Employee wages		
Damage to goods due to fire		
Compensation from the insurance company for damage to goods		

### Exercise 8

The following accounting transactions took place in the accounting entity. Please indicate what change (+/-) this is.

C.	Accounting case	CZK	A	E+L	E	R
1.	Rent received for leased warehouse at bank account	25,000				
2.	Material consumption from warehouse	70,000				
3.	Shortage detected in the warehouse of goods	30,000				
4.	Decrease in goods sold	140,000				
5.	Invoice from supplier for repairs	45,000				
6.	Fine paid in cash	3,000				
7.	Interest on financial investments	6,000				
8.	Revenue from the sale of services in cash	17,000				
9.	Bank account maintenance fees	1,500				
10.	Travel expenses paid from the cash register	4,000				
13.	Loan interest paid from bank account	22,000				
14.	Gross wages of employees	280,000				
15.	Revenue from the sale of materials in cash	65,000				
16.	Received invoice for consumed energy	18,000				
17.	Interest credited to bank account	1,000				
18.	Sales for goods received to bank account	620,000				
20.	Road tax paid from bank account	7,000				
21.	Office rent paid in cash	26,000				

