

SOLUTIONS

Learning Goal 9

Note: **Bold** numbers mean a *calculated* amount.

Reinforcement Problems

LG 9-1.

	Assets	=	Liabilities	+	Owner's Equity
Cumulative Change:	+ \$5,000		+ \$15,000		- \$10,000

The company borrowed \$15,000 in resources; during the same time, the combination of operations and owner's drawing decreased owner's equity by \$10,000 (not a good business plan).

LG 9-2.

	Assets	=	Liabilities	+	Owner's Equity
Cumulative Change:	+ \$40,000		+ \$20,000		+ \$20,000

The company borrowed \$20,000 and also increased resources by \$20,000 from operations and/or owner's investments.

LG 9-3.

	Assets	=	Liabilities	+	Owner's Equity
Cumulative Change:	+ \$16,000		- \$9,000		+ \$25,000

This company used \$9,000 of resources to pay debts. These resources were more than replaced by a \$25,000 combination of operations and/or owner investments. These are good changes.

LG 9-4.

	Assets	=	Liabilities	+	Owner's Equity
January 1:					\$43,000 (70,000 - 27,000)
Cumulative Change:	<u>+ \$12,000</u>		<u>- \$15,000</u>		<u>+ \$27,000</u> [12,000 - (-15,000)]
December 31:	\$95,000		\$25,000		\$70,000 (95,000 - 25,000)

This is similar to what happened to Diablo Valley Services in LG 9-3, above.

LG 9-5.

	Assets	=	Liabilities	+	Owner's Equity
June 1:	\$90,000		\$15,000		\$75,000 (L = 90,000 - 75,000)
Cumulative Change:	+ \$12,000		<u>+ \$22,000</u>		- \$10,000 [L = 12,000 - (-10,000)]
June 30:			\$37,000		(L = 15,000 + 22,000)

This is similar to what happened to Vermont Street Surf Shop in LG 9-1, above.

S2 Section II · Transactions—Analyzing and Visualizing

SOLUTIONS

Learning Goal 9, continued

LG 9-6. First, calculate the January 1 equation and owner's equity:

(A) \$400,000 = (L) \$300,000 + (OE) \$100,000.

- a. Still \$300,000 because assets and owner's equity have each gone up by the same amount.
- b. (OE) \$105,000
- c. (A) \$395,000
- d. (OE) \$145,000
- e. (L) \$290,00

LG 9-7.

	Assets	=	Liabilities	+	Owner's Equity	
January 1:			256,000			L = 238,000 + 18,000
Cumulative Change:	<u>51,000</u>		<u>(18,000)</u>		<u>69,000</u>	L = 51,000 – 69,000
December 31:	644,000		238,000		406,000	L = 644,000 – 406,000

LG 9-8.

	Assets	=	Liabilities	+	Owner's Equity	
July 1:	305,000		96,000			A = 41,000 + 54,000
Cumulative Change:	<u>(95,000)</u>		(41,000)		(54,000)	A = 305,000 + (95,000)
September 30:	210,000					

LG 9-9.

	Assets	=	Liabilities	+	Owner's Equity	
September 1:					(81,000)	OE = (79,000) – 2,000
Cumulative Change:					<u>2,000</u>	OE = 19,000 – 6,000 – 11,000
September 30:	241,000		320,000		(79,000)	OE = 241,000 – 320,000

LG 9-10.

	Assets	=	Liabilities	+	Owner's Equity	
January 1:	957,000					A = 893,000 + 64,000
Cumulative Change:	<u>(64,000)</u>		<u>(27,000)</u>		<u>(37,000)</u>	A = (27,000) + (37,000)
December 31:	893,000		295,000		598,000	A = 598,000 + 295,000

LG 9-11.

	Assets	=	Liabilities	+	Owner's Equity	
Cumulative Change:	(7,000)		(45,000)		38,000	OE = 19,000 + 28,000 – 9,000 L = (7,000) – 38,000