CENGAGE

global financial accounting & reporting

principles and analysis

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FIFTH EDITION

Solutions to end-of-chapter assignments

3.1 Solution - Jennifer's canoes

Prerequisites: Chapter 3 + concept of amortisation/depreciation of non-current assets

	(a)	(b)	(c)	(d)	(e)	Year end
Assets						
Cash	+60,000	-50,000	-10,000	+90,000	-10,000	80,000
Canoes			+30,000		-6,000	24,000
Concession		+50,000			-10,000	40,000
Total	**+60,000**	**0**	**+20,000**	**+90,000**	**-26,000**	**+144,000**
Financing						
Liabilities						
- Short-term			+20,000			20,000
- Long-term	+40,000					40,000
Equity						
Share capital	+20,000					20,000
Profit or loss						*64,000*
Sales				+90,000		
Amortisation concession					-10,000	
Annual rental					-10,000	
Depreciation canoes					-6,000	
Total	**+60,000**	**0**	**+20,000**	**+90,000**	**-26,000**	**+144,000**

Statement of profit or loss (Income statement)

Sales		90,000
Expenses		
Concession - rental	10,000	
Concession - amortisation	10,000	
Canoe depreciation	6,000	-26,000
Profit		**64,000**

Statement of financial position (Balance sheet)

Intangible fixed assets		
Concession	50,000	
Less amortisation	-10,000	40,000
Tangible fixed assets		
Canoes	30,000	
Less depreciation	-6,000	24,000
Cash		80,000
Total		**144,000**
Equity		
Share capital		20,000
Profit for the year		64,000
Liabilities		
- Long-term		40,000
- Short-term		20,000
Total		**144,000**

You may wish to comment on the operating items which are missing in this assignment (e.g., salaries, interest expense, income taxes) and which would significantly affect the current profitability of the business.

3.2 Solution – James / Selling computers

Year 1		
Sales		45,000
Cost of computers sold	30,000	
Rent	6,000	
Lease amortisation	2,500	-38,500
Profit		**6,500**

Year 2		
Sales		1,000
Cost of computers sold	20,000	
Rent	6,000	
Lease amortisation	2,500	-28,500
Loss		**-27,500**
Lifetime result for the business		***-21,000***

3.3 Solution - A&S retail shop (1)

	Start	April *Rent*	April *Purchase*	April *Advertising*	April *Sales*	April *Salaries*	Total
Assets							
Motor van							0
Computer							0
Shopping carts							0
Inventory			6,300		-3,150		3,150
Cash	30,000	-700	-6,300	-1,000	4,900	-1,200	25,700
Total	**30,000**	**-700**	**0**	**-1,000**	**1,750**	**-1,200**	**28,850**
Financing							
Liabilities							
Long-term	4,000						4,000
Short-term	2,000						2,000
Equity							
Share capital	24,000						24,000
Profit & Loss							
Sales					4,900		4,900
Monthly rent		-700					-700
Depreciation							0
Advertising				-1,000			-1,000
Salaries						-1,200	-1,200
Interest							0
Cost of goods sold					-3,150		-3,150
Total	**30,000**	**-700**	**0**	**-1,000**	**1,750**	**-1,200**	**28,850**

3.3 Solution - A&S retail shop (2)

	Start	May *Rent*	May *Purchase*	May *Sales*	May *Salaries*	Total
Assets						
Motor van	0					0
Computer	0					0
Shopping carts	0					0
Inventory	3,150		5,000	-3,500		4,650
Cash	25,700	-700	-5,000	5,400	-1,200	24,200
Total	**28,850**	**-700**	**0**	**1,900**	**-1,200**	**28,850**
Financing						
Liabilities						
Long-term	4,000					4,000
Short-term	2,000					2,000
Equity						
Share capital	24,000					24,000
Profit & Loss						
Sales	4,900			5,400		10,300
Monthly rent	-700	-700				-1,400
Depreciation	0					0
Advertising	-1,000					-1,000
Salaries	-1,200				-1,200	-2,400
Interest						0
Cost of goods sold	-3,150			-3,500		-6,650
Total	**28,850**	**-700**	**0**	**1,900**	**-1,200**	**28,850**

3.3 Solution - A&S retail shop (3)

	Start	June *Rent*	June *Carts*	June *Sales*	June *Purchase*	June *Salaries*	Total
Assets							
Motor van	0						0
Computer	0						0
Shopping carts	0		1,200				1,200
Inventory	4,650			-2,900	4,650		6,400
Cash	24,200	-700		4,500	-4,650	-1,200	22,150
Total	**28,850**	**-700**	**1,200**	**1,600**	**0**	**-1,200**	**29,750**
Financing							
Liabilities							
Long-term	4,000						4,000
Short-term	2,000		1,200				3,200
Equity							
Share capital	24,000						24,000
Profit & Loss							
Sales	10,300			4,500			14,800
Monthly rent	-1,400	-700					-2,100
Depreciation	0						0
Advertising	-1,000						-1,000
Salaries	-2,400					-1,200	-3,600
Interest							0
Cost of goods sold	-6,650			-2,900			-9,550
Total	**28,850**	**-700**	**1,200**	**1,600**	**0**	**-1,200**	**29,750**

3.3 Solution - A&S retail shop (4)

	Start	July *Rent*	July *Sales*	July *Carts*	July *Salaries*	Total
Assets						
Motor van	0					0
Computer	0					0
Shopping carts	1,200					1,200
Inventory	6,400		-4,500			1,900
Cash	22,150	-700	7,200	-1,200	-1,200	26,250
Total	**29,750**	**-700**	**2,700**	**-1,200**	**-1,200**	**29,350**
Financing						
Liabilities						
Long-term	4,000					4,000
Short-term	3,200			-1,200		2,000
Equity						
Share capital	24,000					24,000
Profit & Loss						
Sales	14,800		7,200			22,000
Monthly rent	-2,100	-700				-2,800
Depreciation	0					0
Advertising	-1,000					-1,000
Salaries	-3,600				-1,200	-4,800
Interest						0
Cost of goods sold	-9,550		-4,500			-14,050
Total	**29,750**	**-700**	**2,700**	**-1,200**	**-1,200**	**29,350**

3.3 Solution - A&S retail shop (5)

	Start	August *Rent*	August *Purchase*	August *Motor van*	August *Sales*	August *Salaries*	Total
Assets							
Motor van	0			15,000			15,000
Computer	0						0
Shopping carts	1,200						1,200
Inventory	1,900		4,800		-3,800		2,900
Cash	26,250	-700	-4,800	-12,000	5,800	-1,200	13,350
Total	**29,350**	**-700**	**0**	**3,000**	**2,000**	**-1,200**	**32,450**
Financing							
Liabilities							
Long-term	4,000						4,000
Short-term	2,000			3,000			5,000
Equity							
Share capital	24,000						24,000
Profit & Loss							
Sales	22,000				5,800		27,800
Monthly rent	-2,800	-700					-3,500
Depreciation	0						0
Advertising	-1,000						-1,000
Salaries	-4,800					-1,200	-6,000
Interest							0
Cost of goods sold	-14,050				-3,800		-17,850
Total	**29,350**	**-700**	**0**	**3,000**	**2,000**	**-1,200**	**32,450**

3.3 Solution - A&S retail shop (6)

	Start	September *Rent*	September *Purchase*	September *Sales*	September *Sales*	September *Loan*	September *Salaries*	Total
Assets								
Motor van	15000							15,000
Computer	0							0
Shopping carts	1200							1,200
Inventory	2900		6,500	-3,500	-750			5,150
Cash	13350	-700	-6,500	5,000	1,200	-1,180	-1,200	9,970
Total	**32450**	**-700**	**0**	**1,500**	**450**	**-1,180**	**-1,200**	**31,320**
Financing								
Liabilities								
Long-term	4000							4,000
Short-term	5000					-1,000		4,000
Equity								
Share capital	24000							24,000
Profit & Loss								
Sales	27800			5,000	1,200			34,000
Monthly rent	-3500	-700						-4,200
Depreciation	0							0
Advertising	-1000							-1,000
Salaries	-6000						-1,200	-7,200
Interest						-180		-180
Cost of goods sold	-17850			-3,500	-750			-22,100
Total	**32450**	**-700**	**0**	**1,500**	**450**	**-1,180**	**-1,200**	**31,320**

3.3 Solution - A&S retail shop (7)

	Start	October *Rent*	October *Sales*	October *Sales*	October *Purchase*	October *Salaries*	Total
Assets							
Motor van	15,000						15,000
Computer	0						0
Shopping carts	1,200						1,200
Inventory	5,150		-2,000	-750	1,250		3,650
Cash	9,970	-700	3,400	1,200	-1,250	-1,200	11,420
Total	**31,320**	**-700**	**1,400**	**450**	**0**	**-1,200**	**31,270**
Financing							
Liabilities							
Long-term	4,000						4,000
Short-term	4,000						4,000
Equity							
Share capital	24,000						24,000
Profit & Loss							
Sales	34,000		3,400	1,200			38,600
Monthly rent	-4,200	-700					-4,900
Depreciation	0						0
Advertising	-1,000						-1,000
Salaries	-7,200					-1,200	-8,400
Interest	-180						-180
Cost of goods sold	-22,100		-2,000	-750			-24,850
Total	**31,320**	**-700**	**1,400**	**450**	**0**	**-1,200**	**31,270**