

1. DE.01-05

Use the [Dynamic Exhibit](#) to answer the following questions.

1. When the amount paid for land is \$36,000 and the amount paid for expenses is \$10,000, the balance in total assets after transaction (b) is \$
2. When the amount paid for land is \$36,000 and the amount paid for expenses is \$18,000, the balance in total assets after transaction (b) is \$
3. When the amount paid for land is \$50,000 and the amount paid for expenses is \$18,000, the balance in total assets after transaction (b) is \$
4. When the amount paid for land is \$50,000 and the amount paid for expenses is \$10,000, the balance on the right side of the accounting equation after transaction (b) is \$

2. DE.01-08

Use the [Dynamic Exhibit](#) to answer the following questions.

1. When fees earned is \$7,500 net income is \$
2. When fees earned is \$12,500 cash at November 30 is \$
3. Which version of the exhibit shows a net loss?
 - a. Fees earned = \$12,500
 - b. Fees earned = \$10,000
 - c. Fees earned = \$7,500
 - d. Fees earned = \$4,000

4. True or False: In every version, the net cash flow for the month of November is equal to the cash balance at November 30.

- a. True
- b. False

3. MP.01-01.BLANKSHEET.ALGO (Algorithmic)

Mastery Problem: Introduction to [Accounting](#) and [Business](#)

The Accounting Equation

The foundation for the accounting system and the [financial statements](#) is the accounting equation. *Select the terms that complete the accounting equation.*

Accounting Equation

_____ = _____ + _____

For each of the following items, indicate the element of the accounting equation to which it belongs: [Assets](#), [Liabilities](#) or [Stockholders' Equity](#).

	Assets	Liabilities	Stockholders' Equity
Accounts Payable	☐	☐	☐
Accounts Receivable	☐	☐	☐
Auto Expense	☐	☐	☐
Common Stock	☐	☐	☐
Cash	☐	☐	☐
Dividends	☐	☐	☐
Fees Earned	☐	☐	☐
Land	☐	☐	☐
Miscellaneous Expense	☐	☐	☐
Supplies	☐	☐	☐
Supplies Expense	☐	☐	☐
Wages Expense	☐	☐	☐

Transactions

Consider the following transactions for Thomas Company and their effect on the accounting equation. Click on each transaction for transaction details. Determine the new balance for each component of the accounting equation resulting from the transaction. (You will not need to enter the amount of each transaction, only the balance *after* the transaction.) If an amount box does not require an entry, leave it blank.

Transaction	Assets =	Liabilities +	Stockholders' Equity
Beginning	\$0	\$0	\$0
1. Investment in the business	\$	\$	\$
2. Borrow cash	\$	\$	\$
3. Purchase equipment	\$	\$	\$
4. Revenues earned	\$	\$	\$
5. Expenses incurred	\$	\$	\$
6. Dividends	\$	\$	\$

Principles and Assumptions

1. Match each of the following scenarios with the [accounting principle](#) or [accounting assumption](#) that it best illustrates.

Scenario	Accounting Principle or Assumption
Several years after Thomas Company purchased new office equipment, the company's accounting records still show the original purchase price.	
Thomas Company provides earnings information to investors at the end of every quarter.	
Despite several years of falling sales, Thomas Company continues to forecast sales and make strategic plans to raise revenues and cut expenses.	
Thomas Company records sales for the month along with the expenses incurred to produce the sales.	
The home of Rob Elliot, the owner of GGE Enterprises Inc., is not listed among the company's assets.	
Although GGE Enterprises Inc. received a good deal on a used truck, the amount recorded in the accounting records is the amount the company paid, not the amount the truck was actually worth.	
GGE Enterprises records a deposit received from a customer for work to be performed later in the month. The customer is billed for the remaining amount after the work is complete, and the customer's payment is recorded.	
The accounting records of Thomas Company are in dollars, not euros, although the Ohio-based company is owned by a German firm.	

2. Thomas Company has decided to purchase a company vehicle. The accountant was given all of the purchase details. Which should be used to record the vehicle in the accounting records?

- ☐ The manufacturer's suggested retail price (MSRP).
- ☐ The price negotiated with the dealer.
- ☐ The average selling price of similar vehicles in the area.
- ☐ The amount of the loan with the bank.

Financial Statements

A business will construct its financial statements in a particular order because they are interrelated. This means that items formulated in an earlier statement feed into the subsequent statements, and changes to items on one financial statement can have compounding effects on the overall financial position of a company.

Which of the following is one reason the retained earnings statement is prepared after the income statement?

Which of the following is one reason the retained earnings statement is prepared before the balance sheet?

On November 1 of the current year, Rob Elliot invested \$29,250.00 of his cash to form a [corporation](#), GGE Enterprises Inc., in exchange for shares of common stock. No other common stock was issued during November or December. After a very successful first month of operations, the retained earnings as of November 30 were reported at \$5,000.00. After all transactions have been entered into the accounting equation for the month of December, the ending balances for selected items on December 31 follow. On that date, the financial statements were prepared. The balance sheet reported total assets of \$54,900.00 and total stockholders' equity of \$37,970.00.

Cash	Supplies	Land	Accounts Payable	Common Stock	Retained Earnings	Dividends	Fees Earned	Wages Expense	Rent Expense	Supplies Expense	Utilities Expense	Miscellaneous Expense
?	\$8,350.00	\$15,500.00	?	?	\$5,000.00	\$5,750.00	\$27,500.00	\$6,500.00	?	\$4,650.00	\$1,295.00	\$385.00

Review the following questions. Place an 'X' in the box to indicate which financial statement(s) report the desired information. Enter the amount reported on the financial statement.

	Balance Sheet	Income Statement	Retained Earnings Statement	Amount
1. What is the amount reported for total liabilities and stockholders' equity on December 31?	☐	☐	☐	\$
2. What is the retained earnings amount reported on December 31?	☐	☐	☐	\$
3. How much does GGE Enterprises Inc. owe to its creditors?	☐	☐	☐	\$
4. How much cash is being held by GGE Enterprises Inc.?	☐	☐	☐	\$
5. By what amount did retained earnings increase or decrease during the period?	☐	☐	☐	\$
6. What is the amount of profit or loss during December?	☐	☐	☐	\$
7. What were the total expenses for December?	☐	☐	☐	\$
8. How much was paid for rent?	☐	☐	☐	\$