

## **Tutorial 3**

### **Scenario 1: Alpha Consulting Services**

Alpha Consulting Services has provided the following balances at the end of its first year of operation. The owner is relying on you to ensure the financial records are accurate and balanced.

Account	Amount (£)
Accounts Payable (to suppliers)	8,000
Office Furniture & Computers (Equipment)	15,000
Cash at Bank	22,000
Retained Earnings (Profit reinvested)	10,000
Long-Term Bank Loan (due in 5 years)	30,000
Accounts Receivable (owed by clients)	6,000
Short-Term Loan (due in 6 months)	4,000
Common Stock (Initial owner investment)	<i>(To be calculated)</i>
Land and Buildings	75,000

### **Questions:**

1. Classify each item as a Current Asset (CA), Non-Current Asset (NCA), Current Liability (CL), Non-Current Liability (NCL), or Equity (E).
2. Use the Accounting Equation (Assets= Liabilities + Equity) to calculate the missing value for Common Stock.
3. Construct a Balance Sheet for Alpha Consulting Services that is properly structured and balanced.

### **Scenario 2: The E-Commerce Startup 'ShipFast'**

ShipFast made the following two independent transactions on the same day. For each transaction, identify the two accounts affected and specify whether they are Debited (Dr) or Credited (Cr).

1. Purchased Inventory on Credit: Purchased £5,000 worth of new inventory from a wholesaler, promising to pay them next month.
2. Repaid Long-Term Debt: Paid £2,000 cash towards the principal balance of their long-term bank loan.

### Multiple Choice Questions

**Q3. Which item represents an obligation due beyond one year?**

- A. Accounts Payable
- B. Taxes Payable
- C. Deferred Tax Liabilities
- D. Accounts Receivable

**Q4. What is the fundamental accounting equation that must always hold true for a Balance Sheet?**

- A. Profit = Revenue - Expenses
- B. Assets=Non-Current Assets + Equity
- C. Equity=Assets–Liabilities
- D. Liabilities=Assets–Equity

**Q5. When a company issue shares to investors for cash, what is the correct double-entry effect on the Balance Sheet accounts?**

- A. Debit Equity, Credit Cash
- B. Debit Cash, Credit Common Stock (Equity)
- C. Debit Cash, Credit Accounts Payable
- D. Debit Revenue, Credit Cash

**Q6. What happens to a Liability account when it is Debited?**

- A. It increases.
- B. It decreases.
- C. It remains the same.
- D. It is transferred to the Income Statement.

**Q7. Which asset is typically considered the most liquid?**

- A. Inventory
- B. Equipment
- C. Cash & Cash Equivalents
- D. Accounts Receivable

**Q8. The accumulated profits that a company has kept and reinvested in the business, rather than distributing to shareholders, is known as:**

- A. Common Stock
- B. Total Assets
- C. Retained Earnings
- D. Accounts Payable

### After-Tutorial Exercise 3: GreenTech Robotics (Homework)

**Scenario:** GreenTech Robotics begins the year with the following balances: Equipment (NCA)=£80,000, Common Stock (E)=£50,000. During the year, the following occurred:

- Sold £50,000 in services (all Cash).
- Incurred £30,000 in Salaries and Rent (all Cash).
- Took out a **Short-Term Loan** of £10,000 (all Cash).
- Paid £2,000 in Dividends to the owner.

#### Questions:

1. Calculate the **Net Income** for the year.
2. Determine the final balance for **Retained Earnings** (Initial RE was £30,000, calculated as £80k–£50k).