



# Midterm Exam Solution

## - Accounting Principles

2022. 4.

Dr. Yangin Yoon

# Asset vs. Expense – Example #1

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- ST Clean-House Consulting was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And there is no other event in 2021.
- ST Clean-House Consulting did two sanitizing activities and earned \$100 from each activity. They were paid by cash. And there is no other event in 2022.

# Asset vs. Expense – Example #1

- ST Clean-House Consulting was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And **there is no other event in 2021.**

Accounting Records on Dec. 1<sup>st</sup>, 2021

Dec.1., 2021

Cash (asset)      \$1,000      Capital Stock(equity)      \$1,000

Income Statement		
Revenue	\$	-
Expense	\$	-
Net Income	\$	-

Balance Sheet			
ASSETS		LIABILITIES AND EQUITY	
Cash	\$1,000	LIABILITIES	
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		TOTAL EQUITY	\$1,000
TOTAL ASSETS	\$1,000	TOTAL LIABILITIES and EQUITY	\$1,000

# Asset vs. Expense – Example #1

- ST Clean-House Consulting did two sanitizing activities and earned \$100 from each activity. They were paid by cash. And there is no other event in 2022.

May.1., 2022

Cash (asset)                      \$100                      Main Revenue (revenue)    \$100

June.1., 2022

Cash (asset)                      \$100                      Main Revenue (revenue)    \$100

Income Statement		
Revenue	\$	200
Expense	\$	-
Net Income	\$	200

Balance Sheet			
ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 1,200	LIABILITIES	
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 200
		TOTAL EQUITY	\$1,200
TOTAL ASSETS	\$ 1,200	TOTAL LIABILITIES and EQUITY	\$1,200

# Asset vs. Expense – Example #2

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- ST Clean-House Consulting was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And there is no other event in 2021.
- ST Clean-House Consulting did two sanitizing activities and earned \$100 from each activity. They were paid by cash. And **they paid salary to their employees \$30 by cash.** And there is no other event in **2022.**
- ST Clean-House Consulting did four sanitizing activities and earned \$400 from each activity. They were paid by cash. **And they paid salary to their employees \$50 by cash.** And there is no other event in **2023.**

# Asset vs. Expense – Example #2

- ST Clean-House Consulting was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And there is no other event in 2021.

Accounting Records on Dec. 1<sup>st</sup>, 2021

Dec.1, 2021

Cash (asset)      \$1,000      Capital Stock(equity)      \$1,000

Income Statement		
Revenue	\$	-
Expense	\$	-
Net Income	\$	-

Balance Sheet			
ASSETS		LIABILITIES AND EQUITY	
Cash	\$1,000	LIABILITIES	
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		TOTAL EQUITY	\$1,000
TOTAL ASSETS	\$1,000	TOTAL LIABILITIES and EQUITY	\$1,000

# Asset vs. Expense – Example #2

- ST Clean-House Consulting did two sanitizing activities and earned \$100 from each activity. They were paid by cash. And they paid salary to their employees \$30 by cash. And there is no other event in 2022.

May.1., 2022

Cash (asset)      \$100

Main Revenue (revenue)    \$100

June.1., 2022

Cash (asset)      \$100

Main Revenue (revenue)    \$100

June.20., 2022

Salary Expense (expense)      \$30

Cash (asset)      \$30

## Income Statement

Revenue	\$	200
Expense	\$	30
Net Income	\$	170

## Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 1,170	LIABILITIES	
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 170
		TOTAL EQUITY	\$1,170
TOTAL ASSETS	\$ 1,170	TOTAL LIABILITIES and EQUITY	\$1,170

# Asset vs. Expense – Example #2-1

- ST Clean-House Consulting did four sanitizing activities and earned \$400 from each activity. They were paid by cash. And they paid salary to their employees \$50 by cash. And there is no other event in 2023.

May.1., 2023

Cash (asset)      \$100

Main Revenue (revenue)    \$100

X 4

June.20., 2023

Salary Expense (expense)      \$50

Cash (asset)      \$50

Income Statement		
Revenue	\$	400
Expense	\$	50
Net Income	\$	350

Balance Sheet			
ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 1,520	LIABILITIES	
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 520
		TOTAL EQUITY	\$1,520
TOTAL ASSETS	\$ 1,520	TOTAL LIABILITIES and EQUITY	\$1,520



# Asset vs. Expense – Example #2-2

- ST Clean-House Consulting did four sanitizing activities and earned \$400 from each activity. They were paid by cash. And the total salary is \$50. But they paid salary to their employees **40\$ by cash**. And they promised that **the remaining \$10 will be paid next year**. There is no other event in **2023**.

May.1., 2023

Cash (asset)      \$100

Main Revenue (revenue)    \$100

X 4

June.20., 2023

Salary Expense (expense)      \$50

Cash (asset)      \$40

Un-paid Salary (liability)      \$10

Income Statement

Revenue	\$	400
Expense	\$	50
Net Income	\$	350

Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 1,530	LIABILITIES	
		Unpaid salary	\$ 10
		TOTAL LIABILITIES	\$ 10
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 520
		TOTAL EQUITY	\$1,520
TOTAL ASSETS	\$ 1,530	TOTAL LIABILITIES and EQUITY	\$1,530

# Summary– Example #2

- They paid salary to their employees \$50 by cash

or

- The total salary is \$50. But they paid salary to their employees 40\$ by cash. And they promised that the remaining \$10 will be paid next year.

Income Statement			Balance Sheet			Balance Sheet		
			ASSETS	LIABILITIES AND EQUITY		ASSETS	LIABILITIES AND EQUITY	
Revenue	\$	400	Cash	\$	1,520	Cash	\$	1,530
Expense	\$	50						
Net Income	\$	350		LIABILITIES			LIABILITIES	
				TOTAL LIABILITIES	\$ -		Unpaid salary	\$ 10
							TOTAL LIABILITIES	\$ 10
				EQUITY			EQUITY	
				Capital Stock	\$1,000		Capital Stock	\$1,000
				Retained Earning	\$ 520		Retained Earning	\$ 520
				TOTAL EQUITY	\$1,520		TOTAL EQUITY	\$1,520
			TOTAL ASSETS	\$	1,520	TOTAL ASSETS	\$	1,530
				TOTAL LIABILITIES and EQUITY	\$1,520		TOTAL LIABILITIES and EQUITY	\$1,530

Any Questions?

# Team Activity

- Make a team with two people. Prepare income statements and balance sheets from 2021 to 2023.
  - ST Clean-House Consulting was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And there is no other event in 2021.
  - ST Clean-House Consulting did two sanitizing activities and earned \$100 from each activity. Customers promised to give cash in the future. And the salary for employees was \$30 but it was not paid. And there is no other event in 2022.
  - ST Clean-House Consulting did four sanitizing activities and earned \$400 from each activity. Customers promised to give cash in the future. And the total salary for employees is \$50 but it was not paid. There is no other event in 2023.

# Asset vs. Expense – Example #3

- ST Clean-House Consulting was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And they bought cleaning chemical 100 liters by paying \$300 cash. And there is no other event in 2021.
- ST Clean-House Consulting did two sanitizing activities and earned \$100 from each activity. They received cash from customers. And they paid salary to their employees \$30 by cash. It spent 25 liters chemical. And there is no other event in 2022.
- ST Clean-House Consulting did four sanitizing activities and earned \$400 from each activity. They received cash. And they paid salary to their employees \$50 by cash. It spent 40 liters chemical. And there is no other event in 2023.

# Asset vs. Expense – Example #3-1

- ST Clean-House Consulting was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And they bought cleaning chemical 100 liters by paying \$300. And there is no other event in 2021.

Dec.1., 2021

Cash (asset)	\$1,000	Capital Stock(equity)	\$1,000
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Dec.1., 2021

Chemical (asset)	\$300	Cash (asset)	\$300
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Income Statement

Revenue	\$	-
Expense	\$	-
Net Income	\$	-

Balance Sheet

ASSETS			LIABILITIES AND EQUITY	
Cash	\$	700	LIABILITIES	
Chemical	\$	300	Unpaid salary	\$ -
			TOTAL LIABILITIES	\$ -
			EQUITY	
			Capital Stock	\$1,000
			Retained Earning	\$ -
			TOTAL EQUITY	\$1,000
TOTAL ASSETS	\$	1,000	TOTAL LIABILITIES and EQUITY	\$1,000

# Asset vs. Expense – Example #3-1

- ST Clean-House Consulting did two sanitizing activities and earned \$100 from each activity. They received cash from customers. And they paid salary to their employees \$30 by cash. **It spent 25 liters chemical.** And there is no other event in **2022**.

May.1., 2022

Cash (asset)      \$100      Main Revenue (revenue)      \$100

May.1., 2022

Cash (asset)      \$100      Main Revenue (revenue)      \$100

June.20., 2022

Salary Expense (expense)      \$30      Cash (asset)      \$30

May.1., 2022

**Material Expense (expense)      \$75      Chemical (asset)      \$75**

Income Statement		
Revenue	\$	200
Salary Expense	\$	30
Material Expense	\$	75
Net Income	\$	95

Balance Sheet			
ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 870	LIABILITIES	
Chemical	\$ 225	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 95
		TOTAL EQUITY	\$1,095
TOTAL ASSETS	\$ 1,095	TOTAL LIABILITIES and EQUITY	\$1,095

# Asset vs. Expense – Example #3-1

- ST Clean-House Consulting did four sanitizing activities and earned \$400 from each activity. They received cash. And they paid salary to their employees \$50 by cash. **It spent 40 liters chemical.** And there is no other event in **2023**.

May.1., 2023

Cash (asset)      \$400      Main Revenue (revenue)      \$400

June.20., 2023

Salary Expense (expense)      \$50      Cash (asset)      \$50

May.1., 2023

**Material Expense (expense)      \$120      Chemical (asset)      \$120**

Income Statement

Revenue	\$	400
Salary Expense	\$	50
Material Expense	\$	120
Net Income	\$	230

Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 1,220	LIABILITIES	
Chemical	\$ 105	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 325
		TOTAL EQUITY	\$1,325
TOTAL ASSETS	\$ 1,325	TOTAL LIABILITIES and EQUITY	\$1,325



Any Questions?

# Team Activity

- Make a team with two people. Prepare income statements and balance sheets from 2021 to 2023.
- ST Clean-House Consulting was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And they bought cleaning chemical 100 liters with \$300. They did not pay. And there is no other event in 2021.
- ST Clean-House Consulting did two sanitizing activities and earned \$100 from each activity. Customers did not pay and promised that they would pay. And the \$30 salary was not paid. It spent 25 liters chemical. And there is no other event in 2022.
- ST Clean-House Consulting did four sanitizing activities and earned \$400 from each activity. Customers did not pay and promised that they would pay. The \$50 salary was not paid. It spent 40 liters chemical. And there is no other event in 2023.

# Asset vs. Expense – Example #3-2

- ST Clean-House Consulting was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And they bought cleaning chemical 100 liters by paying \$300. And there is no other event in 2021.

Dec.1., 2021

Cash (asset)	\$1,000	Capital Stock(equity)	\$1,000
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Dec.1., 2021

Chemical (asset)	\$300	Cash (asset)	\$300
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## Income Statement

Revenue	\$	-
Expense	\$	-
Net Income	\$	-

## Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 700	LIABILITIES	
Chemical	\$ 300	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ -
		TOTAL EQUITY	\$1,000
TOTAL ASSETS	\$ 1,000	TOTAL LIABILITIES and EQUITY	\$1,000

# Asset vs. Expense – Example #3-2

- ST Clean-House Consulting did two sanitizing activities and earned \$100 from each activity. They received them by cash. And it paid salary to their employees \$30 by cash. It spent 25 liters chemical. And there is no other event in 2022.

May.1., 2022

Cash (asset)      \$100              Main Revenue (revenue)      \$100

June.1., 2022

Cash (asset)      \$100              Main Revenue (revenue)      \$100

June.20., 2022

Main Revenue (revenue)      \$30      Cash (asset)              \$30

June.20., 2022

Main Revenue (revenue)      \$75      Chemical (asset)              \$75

Income Statement

Revenue	\$	95
Net Income	\$	95

Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 870	LIABILITIES	
Chemical	\$ 225	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 95
		TOTAL EQUITY	\$1,095
TOTAL ASSETS	\$ 1,095	TOTAL LIABILITIES and EQUITY	\$1,095

# Asset vs. Expense – Example #3-2

- ST Clean-House Consulting did four sanitizing activities and earned \$400 from each activity. They received them by cash. And it paid salary to their employees \$50 by cash. It spent 40 liters chemical. And there is no other event in 2023.

May.1., 2023

Cash (asset)      \$400      Main Revenue (revenue)      \$400

June.20., 2023

Main Revenue (revenue)      \$50      Cash (asset)      \$50

June.20., 2023

Main Revenue (revenue)      \$120      Chemical (asset)      \$120

## Income Statement

Revenue	\$	230
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Net Income	\$	230
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## Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 1,220	LIABILITIES	
Chemical	\$ 105	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 325
		TOTAL EQUITY	\$1,325
TOTAL ASSETS	\$ 1,325	TOTAL LIABILITIES and EQUITY	\$1,325

# Summary– Example #3

- Showing the detail items in the financial statements in 2023

or

- Showing the simple result in 2023

Income Statement		
Revenue	\$	400
Salary Expense	\$	50
Material Expense	\$	120
Net Income	\$	230

Example #3-1

Income Statement		
Revenue	\$	230
Net Income	\$	230

Example #3-2

Any Questions?

# Asset vs. Expense – Example #4

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- ST Gas was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And it bought **100 liters of gasoline** to sell them in the future by paying \$300 cash. And there is no other event in **2021**.
- ST Gas sold **30 liters** of gasoline with \$200 of cash. They received cash. And there is no other event in **2022**.
- ST Gas sold **25 liters** of gasoline with \$500 of cash. And ST Gas sold 10 liters of gasoline with \$200 of cash. They received cash. And there is no other event in **2023**.



# Asset vs. Expense – Example #4-1

- ST Gas was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And it bought 100 liters of gasoline to sell them in the future by paying \$300 cash. And there is no other event in **2021**.

Dec.1., 2021

Cash (asset)      \$1,000

Capital Stock(equity)      \$1,000

Dec.1., 2021

Inventory (asset)      \$300

Cash (asset)      \$300

Income Statement		
Revenue	\$	-
Expense	\$	-
Net Income	\$	-

Balance Sheet			
ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 700	LIABILITIES	
Inventory	\$ 300	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ -
		TOTAL EQUITY	\$1,000
TOTAL ASSETS	\$ 1,000	TOTAL LIABILITIES and EQUITY	\$1,000

# Asset vs. Expense – Example #4-1

- ST Gas sold 30 liters of gasoline with \$200 of cash. They received cash. And there is no other event in 2022.

May.1., 2022

Cash (asset)      \$200      Main Revenue (revenue)      \$200

May.1., 2022

Cost of goods (expense)      \$90      Inventory (asset)      \$90

Income Statement

Revenue	\$	200
Cost of Goods	\$	90
Net Income	\$	110

Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 900	LIABILITIES	
Inventory	\$ 210	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 110
		TOTAL EQUITY	\$1,110
TOTAL ASSETS	\$ 1,110	TOTAL LIABILITIES and EQUITY	\$1,110

# Asset vs. Expense – Example #4-1

- ST Gas sold 25 liters of gasoline with \$500 of cash. And ST Gas sold 10 liters of gasoline with \$200 of cash. They received cash. And there is no other event in **2023**.

May.1., 2023

Cash (asset)                      \$500      Main Revenue (revenue)      \$500

May.1., 2023

Cost of goods (expense)      \$75      Inventory (asset)                      \$75

May.10., 2023

Cash (asset)                      \$200      Main Revenue (revenue)      \$200

May.10., 2023

Cost of goods (expense)      \$30      Inventory (asset)                      \$30

Income Statement

Revenue	\$	700
Cost of Goods	\$	105
Net Income	\$	595

Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 1,600	LIABILITIES	
Inventory	\$ 105	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 705
		TOTAL EQUITY	\$1,705
TOTAL ASSETS	\$ 1,705	TOTAL LIABILITIES and EQUITY	\$1,705

# Team Activity

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- Make a team with two people. Prepare income statements and balance sheets from 2021 to 2023.
- ST Gas was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And it bought 100 liters of gasoline with \$300. But they did not pay cash. And there is no other event in 2021.
- ST Gas sold 30 liters of gasoline with \$200. The customer promised to pay later. And there is no other event in 2022.
- ST Gas sold 25 liters of gasoline with \$500 of cash. And ST Gas sold 10 liters of gasoline with \$200 of cash. Customers promised to pay later. And there is no other event in 2023.

# Asset vs. Expense – Example #4-2

- ST Gas was established with \$1,000 of cash on Dec. 1<sup>st</sup>, 2021. And it bought 100 liters of gasoline to sell them in the future by paying \$300 cash. And there is no other event in 2021.

Dec.1., 2021

Cash (asset)	\$1,000	Capital Stock(equity)	\$1,000
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Dec.1., 2021

Inventory (asset)	\$300	Cash (asset)	\$300
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## Income Statement

Revenue	\$	-
Expense	\$	-
Net Income	\$	-

## Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 700	LIABILITIES	
Inventory	\$ 300	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ -
		TOTAL EQUITY	\$1,000
TOTAL ASSETS	\$ 1,000	TOTAL LIABILITIES and EQUITY	\$1,000

# Asset vs. Expense – Example #4-2

- ST Gas sold 30 liters of gasoline with \$200 of cash. They received cash. And there is no other event in 2022.

May.1., 2022

Cash (asset)      \$200

Main Revenue (revenue)    \$110

Inventory (asset)      \$90

## Income Statement

Revenue	\$	110
Cost of Goods		
Net Income	\$	110

## Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 900	LIABILITIES	
Inventory	\$ 210	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 110
		TOTAL EQUITY	\$1,110
TOTAL ASSETS	\$ 1,110	TOTAL LIABILITIES and EQUITY	\$1,110

# Asset vs. Expense – Example #4-2

- ST Gas sold 25 liters of gasoline with \$500 of cash. And ST Gas sold 10 liters of gasoline with \$200 of cash. They received cash. And there is no other event in 2023.

May.1., 2023

Cash (asset)	\$500	Main Revenue (revenue)	\$425
		Inventory (asset)	\$75

May.10., 2023

Cash (asset)	\$200	Main Revenue (revenue)	\$170
		Inventory (asset)	\$30

Income Statement

Revenue	\$	595
Cost of Goods	\$	-
Net Income	\$	595

Balance Sheet

ASSETS		LIABILITIES AND EQUITY	
Cash	\$ 1,600	LIABILITIES	
Inventory	\$ 105	Unpaid salary	\$ -
		TOTAL LIABILITIES	\$ -
		EQUITY	
		Capital Stock	\$1,000
		Retained Earning	\$ 705
		TOTAL EQUITY	\$1,705
TOTAL ASSETS	\$ 1,705	TOTAL LIABILITIES and EQUITY	\$1,705

# Summary– Example #4

- Showing the detail items in the financial statements in 2023

or

- Showing the simple result in 2023

Income Statement		
Revenue	\$	700
Cost of Goods	\$	105
Net Income	\$	595

Example #4-1

Income Statement		
Revenue	\$	595
Cost of Goods	\$	-
Net Income	\$	595

Example #4-2



Any Questions?

# Asset vs. Expense – Example #5

- The **main business of ST Gas** is selling gasoline to customers. ST Gas bought **land** with \$800 of cash. And it sold the land with \$1,000 cash in **2023**.
- ST Gas sold 25 liters of gasoline with \$500 of cash. And ST Gas sold 10 liters of gasoline with \$200 of cash. They received cash. And there is no other event in **2023**.

March.1., 2023

Land (asset)	\$800	Cash (Asset)	\$800
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March.30., 2023

Cash (asset)	\$1,000	Land (asset)	\$800
		Gain on land disposal (revenue)	\$200

May.1., 2023

Cash (asset)	\$500	Main Revenue (revenue)	\$500
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May.1., 2023

Cost of goods (expense)	\$75	Inventory (asset)	\$75
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May.10., 2023

Cash (asset)	\$200	Main Revenue (revenue)	\$200
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May.10., 2023

Cost of goods (expense)	\$30	Inventory (asset)	\$30
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# Team Activity

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- Make an income statement and balance sheet for ST Gas in the year of 2023.
- The **main business of ST Gas** is selling gasoline to customers. ST Gas bought land with \$800 of cash. And it sold the land with \$1,000 cash in 2023.
- ST Gas sold 25 liters of gasoline with \$500 of cash. And ST Gas sold 10 liters of gasoline with \$200 of cash. They received cash. And there is no other event in **2023**.

Any Questions?

# Mid-term exam solution

(Attendance check)

(Homework #2 and online-class)