

$$\begin{aligned}
 1. (a) \text{ net income} &= \text{sales revenues} - \text{expenses} \\
 &= \$190,000 - \$150,000 \\
 &= \$40,000 \quad \#
 \end{aligned}$$

(b) Mary Company
Statement of financial position
December 31, 2018

Assets	
Cash	\$ 28,000
Inventory	3,000
Transportation equipment	105,000
Total assets	<u>\$136,000</u>

Liabilities and Equity	
Liabilities	
Accounts payable	\$65,000
Notes payable	11,000
Total liabilities	<u>\$76,000</u>

Equity	
Share capital-ordinary	\$35,000
Retained earnings	25,000
Total equity	<u>\$60,000</u> #

2.

Fish Co.

Income Statement

For the year ending December 31, 2018

Sales revenue		\$ 62,500
Expenses		
Wage and salary expense	\$ 30,000	
Supplies expense	10,400	
Insurance expense	3,100	
Advertising expense	2,000	
		<u>(45,500)</u>
Net income		<u>\$ 17,000</u>

Fish Co.

Retained Earnings Statement

For the year ending December 31, 2018

Retained earnings, January 1	\$ 48,000
Add: Net income	<u>17,000</u>
	65,000
Less: Dividends	<u>(5,000)</u>
Retained earnings, December 31	<u>\$ 60,000</u>

3.

Linda Company

Statement of financial position

Dec. 31, 2018

Assets		Liabilities and Equity	
Cash	€ 17,000	Liabilities	
Accounts receivable	8,500	Notes payable	€ 20,000
Inventory	6,000		
Equipment	56,000	Equity	
Total assets	<u>€ 87,500</u>	Share capital - ordinary	€ 60,000
		Retained earnings	€ 17,500
		Dividends	<u>(10,000)</u>
			7,500
		Total liabilities and equity	<u>€ 87,500</u>

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