BE1-6

*Use accounting equation*. (LO 4)

At the beginning of the year, Xul Ltd. had total assets of $720,000 and total liabilities of $420,000. Use this information to answer each of the following independent questions.

(a)

If Xul's total assets increased by $250,000 during the year and total liabilities decreased by $80,000, what is the amount of shareholders' equity at the end of the year?

(b)

During the year, Xul's total liabilities decreased by $100,000. The company reported net income of $90,000, sold additional shares for $125,000, and did not declare any dividends during the year. What is the amount of total assets at the end of the year?

(c)

If Xul's total assets decreased by $90,000 during the year and shareholders' equity increased by $120,000, what is the amount of total liabilities at the end of the year?

BE1-8

*Identify assets, liabilities, and shareholders' equity*. (LO 4)

Indicate whether each of these items is an asset (A), a liability (L), or shareholders' equity (SE): (a)

Bank indebtedness

(b)

Accounts receivable

(c)

Salaries payable

(d)

Accounts payable

(e)

Inventory

(f)

Equipment

(g)

Goodwill

(h)

Common shares

(i)

Bank loan payable

(j)

Retained earnings

(k)

Cash

P1-7A

*Prepare financial statements*. (LO 4)

On June 1, 2018, One Planet Cosmetics Corp. was formed. Its assets, liabilities, share capital, revenues, expenses, and dividends as at June 30 follow:

Cash $15,000

Accounts receivable 9,000 Supplies $ 1,200

Equipment 52,000 Accounts payable $ 7,300 Bank loan payable 23,000 Common shares 36,000

Dividends declared 1,000

Service revenue 24,200

Supplies expense 2,100 Interest expense $  800 Office expense 1,500

Utilities expense 1,500 Income tax expense 700 Salaries expense 5,700 Instructions

(a)

Prepare an income statement, statement of changes in equity, and statement of financial position for the month.

(b)

Explain why it is necessary to prepare the financial statements in the order listed in part a.