

**SOLUTIONS**

## Learning Goal 9

Note: **Bold** numbers mean a **calculated** amount.

## Reinforcement Problems

## LG 9-1.

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>
Cumulative Change:	+ \$5,000		+ \$15,000		– \$10,000

The company borrowed \$15,000 in resources; during the same time, the combination of operations and owner's drawing decreased owner's equity by \$10,000 (not a good business plan).

## LG 9-2.

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>
Cumulative Change:	+ \$40,000		+ \$20,000		+ \$20,000

The company borrowed \$20,000 and also increased resources by \$20,000 from operations and/or owner's investments.

## LG 9-3.

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>
Cumulative Change:	+ \$16,000		– \$9,000		+ \$25,000

This company used \$9,000 of resources to pay debts. These resources were more than replaced by a \$25,000 combination of operations and/or owner investments. These are good changes.

## LG 9-4.

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>
January 1:					<b>\$43,000</b> (70,000 – 27,000)
Cumulative Change:	<u>+ \$12,000</u>		<u>– \$ 15,000</u>		<u>+ \$27,000</u> [12,000 – (–15,000)]
December 31:	\$95,000		\$25,000		<b>\$70,000</b> (95,000 – 25,000)

This is similar to what happened to Diablo Valley Services in LG 9-3, above.

## LG 9-5.

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>
June 1:	\$90,000		<b>\$15,000</b>		\$75,000 (L = 90,000 – 75,000)
Cumulative Change:	+ \$12,000		<u>+ \$22,000</u>		– \$10,000 [L = 12,000 – (–10,000)]
June 30:			<b>\$37,000</b>		(L = 15,000 + 22,000)

This is similar to what happened to Vermont Street Surf Shop in LG 9-1, above.

**SOLUTIONS****Learning Goal 9, continued**

**LG 9-6.** First, calculate the January 1 equation and owner's equity:

$$(A) \$400,000 = (L) \$300,000 + (OE) \$100,000.$$

- Still \$300,000 because assets and owner's equity have each gone up by the same amount.
- (OE) \$105,000
- (A) \$395,000
- (OE) \$145,000
- (L) \$290,00

**LG 9-7.**

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>	
January 1:			<b>256,000</b>			$L = 238,000 + 18,000$
Cumulative Change:	<u>51,000</u>		<u>(18,000)</u>		<u>69,000</u>	$L = 51,000 - 69,000$
December 31:	644,000		<b>238,000</b>		406,000	$L = 644,000 - 406,000$

**LG 9-8.**

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>	
July 1:	<b>305,000</b>		96,000			
Cumulative Change:	<u>(95,000)</u>		(41,000)		<b>(54,000)</b>	$A = 41,000 + 54,000$
September 30:	<b>210,000</b>					$A = 305,000 + (95,000)$

**LG 9-9.**

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>	
September 1:					<b>(81,000)</b>	$OE = (79,000) - 2,000$
Cumulative Change:					<u>2,000</u>	$OE = 19,000 - 6,000 - 11,000$
September 30:	<b>241,000</b>		320,000		<b>(79,000)</b>	$OE = 241,000 - 320,000$

**LG 9-10.**

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>	
January 1:	<b>957,000</b>					$A = 893,000 + 64,000$
Cumulative Change:	<u>(64,000)</u>		<u>(27,000)</u>		<u>(37,000)</u>	$A = (27,000) + (37,000)$
December 31:	<b>893,000</b>		<b>295,000</b>		598,000	$A = 598,000 + 295,000$

**LG 9-11.**

	<b>Assets</b>	=	<b>Liabilities</b>	+	<b>Owner's Equity</b>	
Cumulative Change:	(7,000)		<b>(45,000)</b>		<b>38,000</b>	$OE = 19,000 + 28,000 - 9,000$ $L = (7,000) - 38,000$