### Accounting Fundamentals

**Chapter 1: The Purpose and Use of Financial Statements**

#### Answer Key

1. Solve for the missing value:

<table>
<thead>
<tr>
<th>Total Assets</th>
<th>Total Liabilities</th>
<th>Total Shareholders’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>A</td>
<td>$105,000</td>
</tr>
<tr>
<td>B</td>
<td>$335,000</td>
<td>$85,000</td>
</tr>
<tr>
<td>C</td>
<td>$205,000</td>
<td>C</td>
</tr>
</tbody>
</table>

   **A.** Total Assets = Total Liabilities + Total Shareholders’ Equity
   
   \[
   \text{Total Assets} = \$45,000 + \$105,000 \\
   \text{Total Assets} = \$150,000
   \]

   **B.** Total Liabilities = Total Assets – Total Shareholders’ Equity
   
   \[
   \text{Total Liabilities} = \$335,000 - \$85,000 \\
   \text{Total Liabilities} = \$250,000
   \]

   **C.** Total Shareholders’ Equity = Total Assets – Total Liabilities
   
   \[
   \text{Total Shareholders’ Equity} = \$205,000 - \$65,000 \\
   \text{Total Shareholders’ Equity} = \$140,000
   \]

2. Ron’s Services Corp. had the following information available from its accounting records after the first month of operation ending September 30. The accounts are listed in alphabetical order. Identify which statement the account goes on:

   - Accounts Receivables $2,000
   - Accounts Payable 1,500
   - Advertising Expense 500
   - Bank Loan Payable 350
   - Cash 4,300
   - Common Shares 5,000
   - Dividends Declared 300
   - Equipment 1,500
   - Income Tax Expense 625
   - Rent Expense 500
   - Salaries Expense 500
   - Service Revenue 4,000
   - Supplies 400
   - Utilities Expense 225

   **A. Statement of....?**
   - Financial Position
   - Income
   - Changes in Equity/Financial Position

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**Academic Success Centre**

This answer key has been created by Michael Reimer for the Academic Success Centre
3. XYZ Corp had a January 1, 2021 cash balance of $45,000. During the year, the following activities were recorded for XYZ Corp. Determine where the following activities belong on the statement of cash flows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends paid $15,000</td>
<td>Financing</td>
</tr>
<tr>
<td>Cash paid to purchase equipment 55,000</td>
<td>Investing</td>
</tr>
<tr>
<td>Cash payments for operating activities 150,000</td>
<td>Operating</td>
</tr>
<tr>
<td>Cash receipts from operating activities 185,000</td>
<td>Operating</td>
</tr>
<tr>
<td>Cash received from issue of long-term debt 50,000</td>
<td>Financing</td>
</tr>
<tr>
<td>Cash received from issue of shares 50,000</td>
<td>Financing</td>
</tr>
</tbody>
</table>