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Chapter 1 Introduction to financial accounting

Practice Problems

Practice Problem A

L	
Account	Classification
Cash at bank	Asset
Inventory	Asset
Sales	Revenue
Wages	Expense
Cost of goods sold	Expense
Share capital	Equity
Accounts payable	Liability

2

Income State	ement
For the year ending 3	30 June 2016
	\$
Sales	210,000
Cost of goods sold	<u>(70,000)</u>
Gross profit	140,000
Wages	<u>(40,000)</u>
Net Profit	100,000

3

Balance Sheet As at 30 June 2016

Assets		Liabilities and share	eholders' equity
	\$		\$
Cash at bank	210,000	Accounts payable	30,000
Inventory	60,000	Share capital	140,000
		Retained profits	100,000 *
		_	
	270,000	_	270,000

*Opening retained profit + profit –dividend = closing balance retained profit (0 + 100,000 - 0 = 100,000)

Financial Accounting An Integrated Approach Australia 6th Edition Trotman Solutions Manual

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Trotman: Financial Accounting 6e – Practice Problem Solutions

Practice	Problem B
I Tactice	

1	Accrual profit	= total sales – total expenses = \$750,000 + 260,000 – 580,000 – 240,000 = \$190,000	0
1	Accidal profit	= \$750,000 + 260,000 - 580,000 - 240,00	(

2	Sales revenue	= 2,000 x \$8
		= \$16,000
	Cost of goods sold	= 2,000 x \$5
	-	= \$10,000

Practice Problem C

Shareholders' equity	= Assets – Liabilities
	= (Property, Plant and Equipment \$1,500,000 + Accounts
Receivable	
	\$400,000 + Cash \$100,000 + Inventory \$500,000) – (Bank Ioan \$250,000 + Wages Payable \$90,000)
	= \$2,500,000 - 340,000
	= \$2,160,000