

## Financial Statements (FS) Practice Problems

1. Calculate the missing balance sheet amounts in each of the following independent situations:

|                            | Case A    | Case B      | Case C    | Case D    |
|----------------------------|-----------|-------------|-----------|-----------|
| Current assets             | ?         | \$ 650,000  | \$230,000 | \$ 40,000 |
| Long-term assets           | \$250,000 | ?           | \$400,000 | ?         |
| Total assets               | ?         | \$1,050,000 | ?         | \$190,000 |
| Current liabilities        | \$ 50,000 | \$ 500,000  | \$300,000 | \$ 25,000 |
| Long-term liabilities      | ?         | \$ 90,000   | ?         | \$ 10,000 |
| Owners' equity             | \$225,000 | ?           | \$ 80,000 | ?         |
| Total liabilities & equity | \$350,000 | ?           | ?         | ?         |

2. During 2026, Edgemont Corporation had revenues of \$230,000 and expenses of \$190,000. At January 1, 2026, Edgemont reported assets of \$350,000; liabilities of \$80,000; and Common Stock of \$210,000. During 2026, Edgemont declared and paid a dividend of \$25,000. No additional stock was sold to owners during 2026.

**REQUIRED:** Calculate the retained earnings at January 1, 2026 and at December 31, 2026.

3. Alligator Company reported the following information for 2025:

|   |          |
|---|----------|
| Net income .....                            | \$ 5,000 |
| Sales revenue .....                         | 85,000   |
| Retained earnings (at January 1, 2025) .... | 26,000   |
| Cost of goods sold .....                    | 55,000   |
| Dividends .....                             | 2,000    |

- REQUIRED:**
- (1) If the sales revenue given above is the only revenue earned by Alligator during 2025, calculate the amount of expenses incurred during the year other than those listed above.
  - (2) What does the beginning balance of \$26,000 for retained earnings mean?
  - (3) Calculate the balance in retained earnings at December 31, 2025.

4. Use the following code to answer this question:

|     |   |                          |
|-----|---|--------------------------|
| CA  | - | Current asset            |
| LTA | - | Long-term asset          |
| CL  | - | Current liability        |
| LTL | - | Long-term liability      |
| CC  | - | Common Stock             |
| RE  | - | Retained earnings        |
| NI  | - | Income statement item    |
| CF  | - | Cash flow statement item |

Using the code above, classify the following items according to where the item would appear in the financial statements. Note that there may be more than one answer for some of the items listed.

- a. Inventory
- b. Income taxes payable
- c. Interest expense
- d. Dividends
- e. Sales to customers
- f. Equipment
- g. Sale of stock to owners
- h. Cash
- i. Bonds payable (due in 10 years)
- j. Employee's wages

5. At the beginning of the current year, Willie Corporation's balance sheet showed assets of \$12,400 and liabilities of \$7,000. During the year, liabilities decreased by \$1,200 and equity increased by \$600. There were no additional shares of stock sold to owners during the year. Net income for the year totaled \$3,000.

**REQUIRED:** Calculate the amount of dividends declared during the year.

6. XYZ Company reported retained earnings of \$100,000 at January 1, 2025 and retained earnings of \$340,000 at December 31, 2025. During 2025, XYZ declared and paid a dividend of \$140,000.

- REQUIRED:**
- (1) Calculate the net income earned by XYZ Company during 2025.
  - (2) Assume that XYZ Company earned revenues of \$920,000 during 2025. Calculate the amount of expenses incurred by XYZ in 2025.

7. ABC Company has the following balance sheet elements as of December 31, 2024:

|                        |           |                          |           |
|------------------------|-----------|--------------------------|-----------|
| Land .....             | \$105,000 | Mortgage payable.....    | \$250,000 |
| Cash .....             | ?         | Common Stock .....       | 315,000   |
| Building .....         | 168,000   | Retained earnings .....  | 92,000    |
| Accounts payable ..... | 155,000   | Supplies .....           | 41,000    |
| Notes payable .....    | 117,000   | Accounts receivable .... | 134,000   |
| Equipment .....        | 420,000   |                          |           |

Assume the notes payable are due in 9 months.

- REQUIRED:**
- (1) Calculate the total long-term assets.
  - (2) Calculate the total current liabilities.
  - (3) Calculate the total long-term liabilities.
  - (4) Calculate the total stockholders' equity.
  - (5) Calculate the cash balance.
  - (6) Calculate the total current assets.

8. Use the following code to answer this question:

- O - Operating activity  
I - Investing activity  
F - Financing activity

Using the code above, classify the following transactions according to where the transaction would appear in the statement of cash flows.

- a. Cash collected from customers
- b. Repayment of debt (principle)
- c. Payment of dividends
- d. Purchase of a truck by a manufacturing company
- e. Purchase of a truck by a truck dealer
- f. Utility expense incurred and paid
- g. Sale of a building
- h. Sale of stock to stockholders

9. The total assets and liabilities of Roloflex Company at January 1 and December 31, 2026 are presented below:

|                   | <b>January 1</b> | <b>December 31</b> |
|-------------------|------------------|--------------------|
| Assets .....      | \$76,000         | \$112,000          |
| Liabilities ..... | 26,000           | 28,800             |

**REQUIRED:** Calculate the amount of net income (net loss) for 2026 under each of the following assumptions (consider each case independent of the others):

- (1) Dividends of \$10,800 were declared and no additional stock was sold during 2026.
- (2) Additional stock of \$62,000 was sold to owners and dividends of \$15,600 were declared during 2026.

10. The following information is provided for Elephant Company:

|   |       |
|---|-------|
| Revenues for 2024 .....                               | \$350 |
| Net income for 2024 .....                             | 110   |
| Retained earnings at January 1, 2024 .....            | 140   |
| Retained earnings at December 31, 2024 .....          | 200   |
| Total liabilities & equity at December 31, 2024 ..... | 600   |
| Total liabilities at January 1, 2024 .....            | 60    |
| Total liabilities at December 31, 2024 .....          | 50    |

- REQUIRED:**
- (1) Calculate Elephant Company's total expenses for 2024.
  - (2) Calculate the amount of dividends declared during 2024.
  - (3) Calculate the amount of Common Stock at December 31, 2024.
  - (4) Calculate the total assets at January 1, 2024.

11. The following information was taken from the accounting records of Wilcox, Inc. as of December 31, 2025:

|   |           |
|---|-----------|
| Building .....                              | \$147,550 |
| Salaries expense .....                      | 110,600   |
| Utilities expense .....                     | 5,250     |
| Accounts payable .....                      | 38,050    |
| Sales revenue .....                         | 389,950   |
| Supplies .....                              | 72,500    |
| Retained earnings (at January 1, 2025) .... | 311,000   |
| Common Stock .....                          | 65,000    |
| Accounts receivable .....                   | 90,000    |
| Insurance expense .....                     | 11,250    |
| Cash .....                                  | 61,100    |
| Land .....                                  | 42,500    |
| Notes payable (long-term) .....             | 63,800    |
| Rent expense .....                          | 21,200    |
| Dividends .....                             | 95,500    |
| Cost of goods sold .....                    | 125,350   |
| Income tax expense .....                    | 35,000    |
| Patent .....                                | 50,000    |

- REQUIRED:**
- (1) Prepare an income statement for 2025.
  - (2) Prepare a balance sheet as of December 31, 2025.