



## MSc in Financial Management – Athens University of Economics and Business

**Course:** Introduction to Accounting - Practice Exercises

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Financial Statements

**Exercise 1:** The following data refer to Alpha Corporation at 31 December 2016:

Property, plant and equipment	€4.899
Accounts payable	2.695
Common stock	5.756
Cash	?
Total Shareholders' Equity	?
Long-term debt	4.650
Total Assets	34.062
Inventories	3.963
Other long-term assets	23.779
Retained earnings	?
Other long-term liabilities	16.598

1. Calculate the missing amounts.
2. Prepare the Balance Sheet (account form) of the firm at 31 December 2016.

**Exercise 2:** Information from Beta Inc.'s Balance Sheet at 31 December 2016 follow:

Long-term debt	€4.035
Cash	?
Total Shareholders' Equity	?
Total Liabilities	?
Common stock	144
Inventories	2.857
Accounts payable	1.099
Property, plant and equipment	5.466
Retained earnings	3.891
Other current assets	3.592
Other current liabilities	2.767
Total Assets	11.936

1. Calculate the missing amounts.
2. Prepare the Balance Sheet (account form) of the firm at 31 December 2016.



**Exercise 3:** The following financial data refer to the first year of Company ABC operation. Use the proper accounts to prepare the company's Income Statement for the period ended in 31 Dec. 2016, the end of the year.

<b>Equipment</b>	112.000	<b>Note payable</b>	99.300
<b>Interest expense</b>	10.800	<b>Land</b>	26.200
<b>Interest payable</b>	3.100	<b>Tax expense</b>	7.700
<b>Accounts payable</b>	28.900	<b>Rent expense</b>	40.000
<b>Salary expense</b>	108.700	<b>Accounts receivable</b>	84.800
<b>Building</b>	401.000	<b>Sales revenue</b>	457.600
<b>Common stock</b>	5.500	<b>Cost of sales</b>	205.000
<b>Cash</b>	46.800	<b>Utilities expense</b>	9.000

**Exercise 4:** Prepare the Income Statement of Creative Ads, Inc., an advertising agency, based on the following information available at 31 December 2016:

<b>Accounts payable</b>	19.400	<b>Income Tax payable</b>	560
<b>Accounts receivable</b>	24.900	<b>Marketing Expense</b>	6.800
<b>Advertising Service Revenue</b>	165.200	<b>Salaries Expense</b>	86.000
<b>Cash</b>	1.800	<b>Salaries Payable</b>	1.300
<b>Common stock</b>	5.000	<b>Furniture</b>	1.600
<b>Rent Expense for Equipment</b>	37.200	<b>Utilities expense</b>	19.100
<b>Income Tax expense</b>	560	<b>Office Rent Expense</b>	13.500



**Exercise 5:** The following financial data refer to the 10<sup>th</sup> year of operations of OMEGA Inc. Use the proper accounts to prepare the company's Income Statement, Statement of Retained Earnings for the period ended at 31 Dec. 2022, and the Balance Sheet at 31 Dec. 2022, the end of the year.

Accounts payable	3.600	Income Tax Expense	27.000
Accounts receivable	4.500	Income Tax payable	13.000
Cash	57.700	Marketing Expense	20.100
Commissions Expense	225.000	Office Rent Expense	36.000
Commissions Payable	22.700	Retained Earnings, 31/12/21	35.300
Sales Revenue	600.000	Supplies	700
Common stock	29.000	Supplies Expense	2.600
Dividends	33.000	Utilities expense	5.100
Equipment	59.900	Wages Expense	32.000
Cost of Goods Sold	200.000		

**Exercise 6:** The assets and liabilities of ABC Co. as at 31 Dec. 2022, and revenues and expenses for the year ended on that date follow:

Equipment	37.100	Land	68.000
Interest expense	2.900	Note payable	54.000
Interest payable	1.200	Tax expense	2.100
Accounts payable	9.000	Rent expense	17.000
Salary expense	30.800	Accounts receivable	25.000
Building	123.000	Service revenue	161.000
Cash	17.000	Insurance expense	2.300
Common stock	27.100	Utilities	8.700
Additional Information: The beginning balance of Retained Earnings was €109.600 and the dividends declared totaled €28.000.			

**Required:** Prepare the Income Statement, the Statement of Retained Earnings and the Balance Sheet.



### **Business Transactions, T-Accounts, Ledger, Journal Entries, Trial Balance**

**Exercise 1:** During the first month of operations, Music Services Corporation completed the following transactions. Record the transactions on the journal and post them on the Ledger by using T-accounts. Use the number to identify the transactions.

1. The business received cash of €50.000 and a building with fair value of €107.000, and in return issued common stock.
2. Borrowed €60.000 from the bank and signed a note payable.
3. Paid €47.000 for music equipment.
4. Purchased supplies on account, €450.
5. Paid employees' salaries, €6.100.
6. Received €3.790 for music services performed for customers.
7. Performed services for customers on account, €12.800.
8. Paid €100 of the account payable created in transaction 4.
9. Received a €700 bill for utility expenses that will be paid in the near future.
10. Received cash on account, €1.600.
11. Paid in cash €1.400 for rent and €400 for advertising.

**Exercise 2:** Computer Inc., had the following account balances on 31 October 2016: Cash: €2.600, Accounts receivable: €3.300, Equipment: €11.700, Accounts payable: €8.100, Common stock: €6.500 and Retained earnings: €3.000. The following transactions took place on November:

1. The business received cash of €4.000 and in return issued common stock.
2. Performed services for a customer and received cash of €6.300.
3. Paid €4.100 on accounts payable.
4. Purchased supplies on account, €1.200.
5. Collected cash from a customer on account, €1.700.
6. Paid office rent €1.600 and for advertising €1.200.
7. Paid a cash dividend of €2.700.

**Required:** Record the transactions with journal entries and post them on the Ledger using T-accounts. Use the number to identify the transactions.



**Exercise 3:** Ads Corporation is a marketing firm. On 31 July 2022 the company's accounts had the following balances: Cash €10.200, Accounts receivable: €5.500, Supplies: €610, Equipment: €4.200, Accounts payable: €2.600, Common stock: €12.000 and Retained earnings: €5.910. During August the following transactions took place:

03.08	Paid August rent, €650.
07.08	Ordered supplies, €380.
10.08	Provided services of €2.800. The payment will be received within 30 days.
12.08	Paid accounts payable, €1.100.
14.08	Received the supplies ordered on 07.08 and agreed to pay them in 30 days, €380.
19.08	Received cash from a customer for services provided, €4.800.
24.08	Paid the utility bill for August, €280.
26.08	For advertisements in the local newspapers during August, the firm received a bill €700, to be paid in September.
29.08	Provided services of €2.700 on account.
30.08	Paid August salaries, €3.800.
31.08	Declared and paid cash dividend of €1.200.

**Required:** Record the transactions with journal entries and post them on the Ledger using T-accounts. Use the date to identify the transactions.



## Adjusting Entries, Closing Entries

**Exercise 1:** The following trial balance refers to the 31 December 2022, the end of the accounting period.

DELTA Company Trial Balance 31 Dec 2022		
Cash	198.000	
Accounts receivable	370.000	
Supplies	6.000	
Building	250.000	
Accumulated depreciation - Building		130.000
Furniture	100.000	
Accumulated depreciation - Furniture		40.000
Accounts payable		380.000
Unearned service revenue		45.000
Common stock		100.000
Retained earnings		193.000
Dividends	65.000	
Service revenue		286.000
Salary expense	172.000	
Other expenses	13.000	

**1. Prepare the adjusting entries based on the following information, then prepare the adjusted trial balance and the financial statements:**

1. Supplies on hand at year end are €2.000.
2. Depreciation on Furniture is €20.000 and on Building is €10.000.
3. Salaries of €5.000 became accrued but are not paid.
4. Interest Revenue that is accrued but not yet received is €12.000.
5. From the €45.000 of Unearned Service Revenue, €32.000 was earned during the year.
6. Accrued Income Tax Expense is €35.000.

**2. Prepare the closing entries.**



**Exercise 2:** The following unadjusted trial balance refers to the 31 December 2022, the end of the accounting period.

OMEGA Inc. Trial Balance 31 Dec 2022		
Cash	4.320	
Accounts receivable	2.500	
Office Supplies	360	
Prepaid Insurance	480	
Equipment	6.800	
Accumulated depreciation - Equipment		1.200
Accounts payable		1.400
Unearned Revenue		920
Common stock		4.000
Retained earnings		5.740
Dividends	800	
Service revenue		5.800
Salary expense	3.000	
Rent expense	800	
	19.060	19.060

**1. Prepare the adjusting entries based on the following information, then prepare the adjusted trial balance and the financial statements:**

1. Insurance that expired during December: €80.
2. Office Supplies on hand on 31 December: €150.
3. Depreciation for December: €200.
4. Accrued Wages but not yet paid on 31 December: €240.
5. Revenues earned for services performed in December but not billed by the end of the month: €600.
6. Performance of services paid in advance: €320.
7. Estimated income taxes for December: €500.

**2. Prepare the closing entries.**