CHAPTER 2 The Balance Sheet

SECTION 2.1 REVIEW QUESTIONS (page 19)
1. 
2. 
3. 
4. 
5. 
6. 

SECTION 2.1 EXERCISES (page 20)
Exercise 1, p. 20
office furniture
land
bank loan
house and lot
an unpaid heating bill
an amount loaned to R. Jonas
automobile
mortgage payable
a bank deposit

Exercise 2, p. 20

Exercise 3, p. 20

Exercise 4, p. 20
### Exercise 5, p. 20

#### Assets

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#### Equity

Exercise 6, p. 20

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#### C. Equity
SECTION 2.2 REVIEW QUESTIONS (page 28)

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**SECTION 2.2 EXERCISES** (page 28)

**Exercise 1, p. 28**

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**Exercise 2, p. 29**

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SECTION 2.2 EXERCISES (continued)
Exercise 3, p. 30

SECTION 2.3 REVIEW QUESTIONS (page 32)
1. 
2. 
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5. 

SECTION 2.3 EXERCISES (page 32)
Exercise 1, p. 32
A. 
B. 
**SECTION 2.3 EXERCISES** (continued)

Exercise 2, p. 32

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**SECTION 2.4 REVIEW QUESTIONS** (page 37)

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SECTION 2.4 REVIEW QUESTIONS (continued)

11. 

12. 

13. 

14. 

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17. 

SECTION 2.4 EXERCISES (page 38)
Exercise 1, p. 38
A. 

DRAFT
SECTION 2.4 EXERCISES (continued)
Exercise 1, p. 38 (continued)

B. 

C. 

D. 

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## SECTION 2.4 EXERCISES (continued)

### Exercise 2, p. 38

**A. to C.**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Amount</th>
<th>Business</th>
<th>Personal</th>
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</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>$27,460</td>
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<tr>
<td>Boat and Motor</td>
<td>16,520</td>
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<tr>
<td>Business Bank Balance</td>
<td>1,852</td>
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<tr>
<td>Business Automobiles</td>
<td>48,054</td>
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<tr>
<td>Furniture and Appliances</td>
<td>6,528</td>
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<tr>
<td>Government Bonds of Owner</td>
<td>20,000</td>
<td></td>
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<tr>
<td>House and Lot</td>
<td>599,600</td>
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<tr>
<td>Office Furniture and Equipment</td>
<td>18,324</td>
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<tr>
<td>Office Supplies</td>
<td>3,545</td>
<td></td>
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<tr>
<td>Owner’s Automobiles</td>
<td>18,657</td>
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<tr>
<td>Paving Materials</td>
<td>55,326</td>
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<tr>
<td>Personal Bank Balance</td>
<td>10,258</td>
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<tr>
<td>Plant Property and Buildings</td>
<td>725,358</td>
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<tr>
<td>Summer Cottage</td>
<td>265,874</td>
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<tr>
<td>Trucks and Equipment</td>
<td>285,657</td>
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<tr>
<td><strong>Total Assets</strong></td>
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<tr>
<th>Liabilities</th>
<th>Amount</th>
<th>Business</th>
<th>Personal</th>
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<tbody>
<tr>
<td>Accounts Payable</td>
<td>$3,500</td>
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<tr>
<td>Business Bank Loan</td>
<td>156,000</td>
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<tr>
<td>Mortgage on Plant Property</td>
<td>375,000</td>
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<tr>
<td>Mortgage on House and Lot</td>
<td>260,000</td>
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<tr>
<td>Mortgage on Summer Cottage</td>
<td>92,300</td>
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<tr>
<td>Owed to Finance Co.—Business Equipment</td>
<td>136,522</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
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### Owner’s Equity/Personal Net Worth

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SECTION 2.4 COMMUNICATE IT (page 39)


SECTION 2.5 REVIEW QUESTIONS (page 43)

1. 
2. 
3. 
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SECTION 2.5 EXERCISES (page 44)

Exercise 1, p. 44

This is a spreadsheet exercise. Attach a copy of your spreadsheet to your Workbook.

A. to D.

Exercise 2, p. 44

This is a spreadsheet exercise. Attach a copy of your spreadsheet to your Workbook.

SECTION 2.5 PERSONALIZE IT (page 45)

This is a spreadsheet exercise. Attach a copy of your spreadsheet to your Workbook.
SECTION 2.5 COMMUNICATE IT (page 46)

This is a spreadsheet exercise. Attach a copy of your spreadsheet to your Workbook.
A., B.

C. __________________________________________________________

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CHAPTER 2 REVIEW EXERCISES (page 47)

Using Your Knowledge
Exercise 1, p. 47

Circle the best answer to each question.
A. The financial position of a business is
   a. the difference between total assets and total liabilities.
   b. represented by the assets, the liabilities, and the capital.
   c. the same as the net worth of the business.
CHAPTER 2 REVIEW EXERCISES (continued)

Exercise 1, p. 47 (continued)

B. If the total assets increase by $10,000 and the total liabilities decrease by $10,000, the capital will
   a. increase by $20,000.
   b. be unchanged.
   c. decrease by $20,000.

C. Which one of the following is not true?
   a. A – E = L
   b. A – L = E
   c. A + L = E
   d. A = L + E

D. A balance sheet shows
   a. all of the owner’s assets and liabilities.
   b. a financial picture of the business on a certain date.
   c. the progress of the business over a period of time.

E. Which one of the following is not true?
   a. The heading of a balance sheet shows the date as of which it was prepared.
   b. Assets are listed in the order of their liquidity (under ASPE).
   c. Accounts receivable are considered to be a liquid asset.
   d. Personal assets have no place on the business balance sheet.
   e. A truck that cost $10,000 and for which $6,000 is owed is listed on the balance sheet at $4,000.

F. Abbreviations may be used on financial statements
   a. when it is necessary to crowd things to conserve space.
   b. to save time in preparing the statements.
   c. in a company name if the abbreviation is a formal part of the name.

G. Which one of the following is not true? Ruled lines are
   a. used to underline headings.
   b. used to indicate that columns of numbers are to be totalled.
   c. necessary to separate sections of the balance sheet.
   d. doubled to indicate a final total.

H. Before a business is closed down, the equation for it is
   \[ \text{Assets ($125,000)} = \text{Liabilities ($37,000)} + \text{Equity ($88,000)} \]
   If assets of $70,000 are sold for $20,000, assets of $50,000 are sold for $90,000, and the remaining assets stay the same, the equation will become
   a. $55,000 = $37,000 + $18,000
   b. $115,000 = $37,000 + $78,000
   c. $75,000 = $37,000 + $38,000
   d. $135,000 = $47,000 + $88,000
   e. $115,000 = $27,000 + $88,000
CHAPTER 2 REVIEW EXERCISES (continued)

Exercise 1, p. 47 (continued)

I. Which of the following is not true?
   a. In the liability section on a balance sheet, accounts payable may be listed first.
   b. On a balance sheet, there are three main totals.
   c. On a balance sheet, the owner’s name appears only in the heading.
   d. On a balance sheet, the final totals are always on the same line.

J. Which of the following is true?
   a. IFRS must be used by all businesses in Canada.
   b. In many countries using IFRS, the liquidity order of assets is inverted.
   c. Canadian GAAP has replaced ASPE.
   d. The IASB controls the AcSB.

Exercise 2, p. 48

Exercise 3, p. 48

Exercise 4, p. 48

Exercise 5, p. 49

A.
CHAPTER 2 REVIEW EXERCISES (continued)

Exercise 5, p. 49 (continued)

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Exercise 6, p. 49

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CHAPTER 2 REVIEW EXERCISES (continued)

Exercise 7, p. 49

A. 

B. 

Exercise 8, p. 50

Questions for Further Thought, p. 50

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2. 

3. 

4. 

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7. 
CASE STUDIES (page 51)

Case 1  Is Money Better? (p. 51)

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

Case 2  Can you Spend the Equity? (p. 52)

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

Case 3: Challenge  Are the Assets Always Worth What the Balance Sheet Says? (p. 52)

1. ___________________________________________________________________
2. ___________________________________________________________________
3. ___________________________________________________________________
4. ___________________________________________________________________
**CASE STUDIES (continued)**

**Case 3: Challenge**  *Are the Assets Always Worth What the Balance Sheet Says?* (continued)

5.  

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**Case 4: Co-operative Learning**  *Should Your Friends Purchase This Business?* (p. 54)

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Discussion (p. 56)

1. 

2. 

3. 

Research and Writing Questions (p. 56)

4. 

5. Attach a copy of your report to your Workbook.