

CHAPTER 3**Analyzing Changes in Financial Position****SECTION 3.1 REVIEW QUESTIONS** (page 59)

1. *A business transaction is a financial event that causes a change in financial position.*

2. *Answers will vary. An example of a transaction could be a new office desk that is purchased and paid for in cash.*

3. *Answers will vary. An example of an event that is not a transaction could be the owner examining some new computer equipment that is demonstrated by a salesperson.*

4. *A source document is the original record of a transaction that provides the accounting department with the information it needs related to the transaction.*

5. *Examples of source documents include hydro bills, telephone bills, cheque copies, store receipts, cash register tapes, and credit card slips.*

6. *After the accounting entries have been completed, the source documents are filed for future reference.*

7. *The objectivity principle states that accounting will be recorded on the basis of objective evidence. This means that transactions will be recorded based on facts not on personal opinions or feelings. For example, the best objective evidence for the cost of cellphone use is the bill from the cellphone company.*

SECTION 3.1 EXERCISES (page 59)**Exercise 1, p. 59**

- | | | | |
|-----------------------------|-------|-----------------------------|-------|
| A. <i>transaction</i> | _____ | E. <i>transaction</i> | _____ |
| B. <i>transaction</i> | _____ | F. <i>not a transaction</i> | _____ |
| C. <i>not a transaction</i> | _____ | G. <i>transaction</i> | _____ |
| D. <i>transaction</i> | _____ | H. <i>not a transaction</i> | _____ |

Exercise 2, p. 59

- | | | | |
|-----------------------------|-------|-----------------------------|-------|
| A. <i>transaction</i> | _____ | E. <i>not a transaction</i> | _____ |
| B. <i>not a transaction</i> | _____ | F. <i>transaction</i> | _____ |
| C. <i>not a transaction</i> | _____ | G. <i>transaction</i> | _____ |
| D. <i>transaction</i> | _____ | H. <i>not a transaction</i> | _____ |

SECTION 3.1 EXERCISES (continued)**Exercise 3, p. 60**

- A. *Campbell & Associates issued the bill.*

- B. *Smokey Valley Ski Club received the bill.*

- C. *The bill was issued July 22, 20–.*

- D. *Campbell and Associates issued the bill because they audited the records of Smokey Valley Ski Club and also prepared financial statements for them.*

- E. *Yes, the bill represents good objective evidence because it originates from a source independent of the business.*

Exercise 4, p. 60

- A. *The Davey Company issued the bill.*

- B. *Smokey Valley Ski Club received the bill.*

- C. *The bill was issued December 5, 20–.*

- D. *The goods were delivered December 5, 20–. They were delivered by CPX.*

- E. *The bill is due for payment 30 days from December 5, 20–, which would be the following January 4.*

- F. *The bill was issued as evidence of the transaction to be used in the accounting records of both the purchaser and the vendor.*

- G. *No, this was not a cash sale transaction. It is a sale on credit.*

- H. *The bill represents good objective evidence because it comes from an independent source.*

Exercise 5, p. 61

- A. *The memorandum is not good objective evidence because it does not come from an independent source.*

- B. *The best objective evidence for this transaction would be the bill from the supplier.*

SECTION 3.2 REVIEW QUESTIONS (page 69)

1. *The equation analysis sheet is necessary because it helps you analyze and record changes in a company's financial position.*

2. *Assets, liabilities, and capital are transferred from the balance sheet to the equation analysis sheet.*

3. *After each transaction is recorded on the equation analysis sheet, new column totals are calculated and these totals are balanced according to the fundamental accounting equation ($A = L + OE$). If the totals balance, then each transaction was balanced.*

4. *A transaction does not always change both sides of the accounting equation. For example, a transaction might increase one asset and decrease another by the same amount. In this case, the right side of the accounting equation (liabilities and equity) would be totally unchanged.*

5. *If the repair is paid for at a later date, then it will only affect the right side of the accounting equation. Liabilities increase by \$375 and owner's equity decreases by \$375.*

6. *The first step is to record the changes in any of the assets, liabilities, or both. The second step is to determine if the equity has changed. The third step is to make sure that at least two of the individual items have changed. The fourth step is to make sure that the equation is still in balance.*

7. *A good clue as to whether capital had changed is whether the business is better off or worse off as a result of the transaction.*

8. *If assets increase by \$10 000 with no corresponding change to liabilities, then capital must increase by \$10 000.*

9. *In addition to their memory, good accountants rely on common sense, clear thinking, and a thorough understanding of accounting theory.*

10. *Accounting must be done accurately to ensure financial records are correct and reliable.*

SECTION 3.2 EXERCISES (page 69)

Exercise I, p. 69

		ASSETS						=	LIABILITIES			+	OWNER'S EQUITY		
		Cash	A/R E. Kerluck	Supplies	Office Furniture	Automobile	A/P Home Supply	A/P Pine Motors	A/P S. Kostiuik Capital						
SHEILA'S INTERIOR DECORATING															
Opening Balance		2 050	150	600	1 200					1 000				3 000	
Transaction 1				175						175					
<i>New Balances</i>		2 050	150	775	1 200					1 175		0		3 000	
Transaction 2		-450			450										
<i>New Balances</i>		1 600	150	775	1 650					1 175		0		3 000	
Transaction 3		150	-150												
<i>New Balances</i>		1 750	0	775	1 650					1 175		0		3 000	
Transaction 4		300												300	
<i>New Balances</i>		2 050		775	1 650					1 175				3 300	
Transaction 5		-500													
<i>New Balances</i>		1 550		775	1 650					1 175		6 000		3 300	
Transaction 6		-700													
<i>New Balances</i>		850		775	1 650					475		6 000		3 300	
Transaction 7		-200												-200	
<i>New Balances</i>		650		775	1 650					475		6 000		3 100	

SECTION 3.2 EXERCISES (continued)**Exercise 2, p. 70****A., B.**

	ASSETS					=			LIABILITIES		+	OWNER'S EQUITY
	Cash	A/R J. Singh	A/R N. Swartz	Supplies	Office Furniture	A/P Acme Supply	A/P Office Discounts	J. Morse Capital				
Opening Balance	1 216	1 500	800	4 175	11 969	1 750	875					17 035
Transaction 1	500		-500									
New Balances	1 716	1 500	300	4 175	11 969	1 750	875					17 035
Transaction 2	-300					-300						
New Balances	1 416	1 500	300	4 175	11 969	1 450	875					17 035
Transaction 3				495			495					
New Balances	1 416	1 500	300	4 670	11 969	1 450	1 370					17 035
Transaction 4	4 700											4 700
New Balances	6 116	1 500	300	4 670	11 969	1 450	1 370					21 735
Transaction 5	-950				950							
New Balances	5 166	1 500	300	4 670	12 919	1 450	1 370					21 735
Transaction 6	-380											-380
New Balances	4 786	1 500	300	4 670	12 919	1 450	1 370					21 355
Transaction 7	-290											-290
New Balances	4 496	1 500	300	4 670	12 919	1 450	1 370					21 065
Transaction 8	1 500	-1 500										
New Balances	5 996	0	300	4 670	12 919	1 450	1 370					21 065

SECTION 3.2 EXERCISES (continued)

Exercise 2, p. 70 (continued)

Exercise 3, p. 71

C.

*TRIANGLE REAL ESTATE
BALANCE SHEET
OCTOBER 1, 20—*

Assets		Liabilities					
Cash	\$ 5 9 9 6						
A/R—N. Swartz	3 0 0	A/P—Acme Supply					
Supplies	4 6 7 0	A/P—Office Discounts					
Office Furniture	1 2 9 1 9	Total Liabilities					
		Owner's Equity					
		J. Morse, Capital					
Total Assets	\$23 8 8 5					21 0 6 5	—
						\$23 8 8 5	—

A., B.

ALLIANCE APPLIANCE SERVICES	ASSETS						=	LIABILITIES			+ OWNER'S EQUITY
	Cash	A/R N. Chang	A/R P. O'Neill	A/R Equipment	Truck	Land		Building	Bank Loan	Mortgage Payable	
Opening Balance	6 540	1 100	529	8 316	19 750	140 000	180 000	15 000	192 700	148 535	
Transaction 1	— 2 500									— 2 500	
Transaction 2	529		— 529								
Transaction 3		390								390	
Transaction 4	4 000				— 19 750					— 15 750	
Transaction 5	— 900								— 900		
Transaction 6	— 700									— 700	
Transaction 7	— 5 000				40 000			35 000			
Total	1 969	1 490	0	8 316	40 000	140 000	180 000	50 000	191 800	129 975	

SECTION 3.2 EXERCISES (continued)**Exercise 3, p. 71** (continued)

C.

*ALLIANCE APPLIANCE SERVICE**BALANCE SHEET**OCTOBER 21, 20–*

<i>Assets</i>							<i>Liabilities</i>						
<i>Cash</i>	\$	1	9	6	9	–	<i>Bank Loan</i>	\$	50	0	0	0	–
<i>A/R—N. Chang</i>		1	4	9	0	–	<i>Mortgage Payable</i>		191	8	0	0	–
<i>Equipment</i>		8	3	1	6	–	<i>Total Liabilities</i>		\$242	8	0	0	–
<i>Truck</i>		40	0	0	0	–							
<i>Land</i>		140	0	0	0	–	<i>Owner's Equity</i>						
<i>Building</i>		180	0	0	0	–	<i>W. Dalli, Capital</i>		129	9	7	5	–
<i>Total Assets</i>		\$371	7	7	5	–	<i>Total Liabilities and Equity</i>		\$371	7	7	5	–

SECTION 3.3 REVIEW QUESTIONS (page 74)

- The purpose of entering a cell reference into a cell is to reproduce data that already appears in a different cell.*

- For Excel spreadsheets, you would type =D22 into cell E30.*

- Like formulas and functions, cell references need prefix symbols to function and the information in the cell is automatically updated when the data in the cells mentioned in the reference change.*

- A spreadsheet is dynamic and responsive because when a piece of information is changed in a given cell, such as D20, all the data in cells that mention D20 in a cell reference, function or formula are automatically updated in response to a change made in D20.*

- Negative numbers are entered into a spreadsheet by first pressing the hyphen key or the minus sign on the number pad.*

SECTION 3.3 EXERCISES (page 74)

Exercise I, p. 74

A., B.

ANTONELLI'S ACCOUNTING SERVICES	ASSETS					Total Assets	LIABILITIES			Total Liabilities	OWNER'S EQUITY		Zero Proof
	Cash	A/R Jones Travel	A/R F. Leonel	Supplies	Equipment		A/P Best Offices	A/P Eastside News	Bank Loan		A. Antonelli, Capital	Total Equity	
Beginning	275	300	350	700	900	2 525	175		500	675	1 850	1 850	0
Transaction 1	2 000					4 525			2 000	2 675		1 850	0
Transaction 2	-1 300				1 300	4 525				2 675		1 850	0
Transaction 3	200	-200				4 525				2 675		1 850	0
Transaction 4	150				-900	3 775				2 675	-750	1 100	0
Transaction 5			500			4 275				2 675	500	1 600	0
Transaction 6				225		4 500	225			2 900		1 600	0
Transaction 7				-50		4 450	-50			2 850		1 600	0
Transaction 8	-600					3 850				2 850	-600	1 000	0
Transaction 9	-225					3 625			-225	2 625		1 000	0
Transaction 10	200	500				4 325				2 625	700	1 700	0
Transaction 11	-125					4 200	-125			2 500		1 700	0
Transaction 12						4 200		360		2 860	-360	1 340	0
Ending	575	600	850	875	1 300	4 200	225	360	2 275	2 860	1 340	1 340	0

SECTION 3.3 SPREADSHEET EXTENSIONS (page 75)

Exercise I, p. 75

A. to C.

Antonelli's Accounting Services			
Balance Sheet			
October 31, 20—			
Assets			Liabilities
Cash	\$	548	Accounts Payable
Accounts Receivable			— Best Offices
— Jones Travel		600	— Eastside News
— F. Leonel		850	Bank Loan
Supplies		875	Total Liabilities
Equipment		1 300	\$ 2 833
Total Assets	\$	4 173	Owner's Equity
			A. Antonelli, Capital
			1 340
			Total Liabilities and Equity
	\$		4 173

SECTION 3.3 SPREADSHEET EXTENSIONS (continued)
Exercise 2, p. 76

A. to C.

ANTONELLI'S ACCOUNTING SERVICES	ASSETS					LIABILITIES			OWNER'S EQUITY		Total Equity	Zero Proof	
	Cash	A/R Jones Travel	A/R F. Leonel	Supplies	Equipment	Total Assets	A/P Best Offices	A/P Eastside News	Bank Loan	Total Liabilities			A. Antonelli, Capital
Beginning	548	600	850	875	1 300	4 173	198	360	2 275	2 833	1 340	1 340	0
Transaction 1	250					4 423				2 833	250	1 590	0
Transaction 2	300	-300				4 423				2 833		1 590	0
Transaction 3	-20					4 403				2 833	-20	1 570	0
Transaction 4				110		4 513	110			2 943		1 570	0
Transaction 5	350		-350			4 513				2 943		1 570	0
Transaction 6	-360					4 153		-360		2 583		1 570	0
Transaction 7	-198					3 955	-198			2 385		1 570	0
Transaction 8	-600					3 355				2 385	-600	970	0
Transaction 9	1 200					4 555				2 385	1 200	2 170	0
Transaction 10	-400					4 155				2 385	-400	1 770	0
Transaction 11						4 155		240		2 625	-240	1 530	0
Transaction 12						4 155				2 625		1 530	0
Ending	1 070	300	500	985	1 300	4 155	110	240	2 275	2 625	1 530	1 530	0

Fundamental Accounting Equation Verification			
Assets	=	Liabilities	+ Equity
\$4 155	=	\$2 625	+ \$1 530
\$4 155	=	\$4 155	

SECTION 3.3 SPREADSHEET EXTENSIONS (continued)**Exercise 2, p. 76** (continued)

D.

	A	B	C	D	E	F	G	H
1	Antonelli's Accounting Services							
2	Balance Sheet							
3	November 30, 20—							
4								
5		Assets				Liabilities		
6		Cash		\$	1 070	Accounts Payable		
7		Accounts Receivable				— Best Offices	\$	110
8		— Jones Travel			300	— Eastside News		240
9		— F. Leonel			500	Bank Loan		2 275
10		Supplies			985	Total Liabilities	\$	2 625
11		Equipment			1 300			
12						Owner's Equity		
13						A. Antonelli Capital		1 530
14		Total Assets		\$	4 155	Total Liabilities and Equity	\$	4 155

SECTION 3.3 COMMUNICATE IT (page 77)

In their answers, students should point out the following:

- *Spreadsheets perform calculations more quickly and accurately.*
- *Errors in the accounting equation are revealed instantly. Time will not be lost in locating transaction errors that throw the equation out of balance.*
- *Balance sheets can be prepared automatically; therefore, the financial condition of the business can be assessed more readily.*
- *A computer system and spreadsheet program cost more, but this expense is not prohibitive, especially if using the system saves time.*
- *Spreadsheet entries can be erased easily, so the system is less secure. (This disadvantage is overcome by accounting programs, which are introduced later in the text.)*

CHAPTER 3**REVIEW EXERCISES** (page 78)**Using Your Knowledge****Exercise 1, p. 78**

Transaction 1: A customer, F. Vanweers, paid a debt of \$250.

Transaction 2: There was \$150 worth of supplies purchased on credit from Norpaints.

Transaction 3: B. Provost, the owner, invested \$300 cash into the business or the business sold services for \$300 cash.

Transaction 4: The business performed a service for C. Sully for \$115, who has 30 days to make payment.

Transaction 5: The company's debt to B. M. Co. was paid in full.

Exercise 2, p. 79

Transaction 1: The business performed a service for L. Swan for \$1800. Swan paid \$500 in cash and owes the remaining \$1300.

Transaction 2: The auto valued at \$7000 in the business's records was sold to High Finance for \$6500. The debt to High Finance of \$5000 was eliminated as part of the transaction, leaving B. Lee with \$1500 cash and a \$500 loss on the sale of the auto.

Transaction 3: A \$20 000 auto was bought with \$1000 cash and a \$19 000 bank loan.

Transaction 4: The owner withdrew \$150 for personal use or one of the business's expenses was paid for in cash.

Transaction 5: Supplies worth \$50 were damaged or destroyed.

CHAPTER 3 REVIEW EXERCISES (continued)**Exercise 3, p. 80**

	Total Assets			=	Total Liabilities			+	Total Equity		
	+	-	NC		+	-	NC		+	-	NC
1. Paid the telephone bill that arrived today, \$45.		-45								-45	
2. Paid \$350 cash for supplies.			NC				NC				NC
3. Paid \$500 to reduce the bank loan.		-500				-500					
4. Sold services for \$1000 cash.	1 000								1 000		
5. Receivable customer pays us \$600 cash.			NC				NC				NC
6. Paid the invoice that arrived today for legal fees, \$800.		-800								-800	
7. Sold services for \$2000 on credit.	2 000								2 000		
8. Paid a creditor \$750 to reduce the amount owed to him.		-750				-750					
9. Bought \$4500 of equipment on credit.	4 500				4 500		NC				NC
10. Office furniture valued at \$400 was damaged and discarded.		-400								-400	

CHAPTER 3 REVIEW EXERCISES (continued)**Exercise 4, p. 80**

Four transactions that could cause a decrease in owner's equity are the loss on the sale of an asset, the owner withdrawing money from the business for personal use, the destruction of an asset, or an expense incurred by the business.

Exercise 5, p. 80

Two transactions that could cause an increase in owner's equity are an increase in revenue due to the sale of business services or the owner investing money in the business.

Exercise 6, p. 81

- A. *This source document is a cheque.*
- B. *Smokey Valley Ski Club issued the cheque.*
- C. *Midwest-West Ski Lifts and Equipment received the cheque.*
- D. *The cheque is likely paying for the ski equipment or the chair lifts bought from Midwest-West Ski Lifts and Equipment. It is also possible that the cheque is paying for repair services provided by Mid-West Ski Lifts and Equipment.*
- E. *Both b and c are possible. Since most businesses purchase assets like this on credit and pay for them later, b is more likely.*
-
-
-

CHAPTER 3 REVIEW EXERCISES (continued)
Challenge Exercise 7, p. 81

A., B.

MERRYMEN WINDOW WASHING	ASSETS										=	LIABILITIES				+ OWNER'S EQUITY	
	A/R		A/R		Supplies		Truck		Equipment			A/P	A/P	A/P	A/P	Simplex Finance	C. Savich Capital
	T. Kwan	D. Pedersen	D. Pedersen	A/R						Cleanall Co.		Hipp Co.	NRC Co.				
Opening Balances	420	75	880	15 050	12 947	124	475						8 560		22 963		
Transaction 1	-800												-800				
Transaction 2			+400														
Transaction 3	+200	-200															
Transaction 4	-300				+2 125												
Transaction 5	+100				-550										-450		
Transaction 6	+575	-75													+500		
Transaction 7	+14 500			-15 050											-550		
Transaction 8	-7 760														-7 760		
Transaction 9	-8 000			+23 000											+15 000		
Transaction 10	-875														-875		
Transaction 11			-50														
New Balances	390	220	1 230	23 000	14 522	124						1 825	15 000		22 413		

C.

MERRYMEN WINDOW WASHING
 BALANCE SHEET
 DECEMBER 1, 20--

Assets	Liabilities			
Cash	\$ 3 900	-	A/P—Cleanall Co.	\$ 1 240
A/R—T. Kwan	2 200	-	A/P—NRC Co.	1 825
Supplies	1 230	-	Loan Payable—Simplex Finance	15 000
Truck	23 000	-	Total Liabilities	\$16 949
Equipment	14 522	-		
			Owner's Equity	
			C. Savich, Capital	22 413
Total Assets	\$39 362	-	Total Liabilities and Equity	\$39 362

CHAPTER 3 REVIEW EXERCISES (continued)

PERSONALIZE IT (page 82)

A. *Answers will vary. Students should describe their service business and the name.*

B. *Answers will vary. Assets could include Cash, Bank, Property, Land, Equipment, Supplies.*

Liabilities could be Loan, Truck, Rent. Equity could be Capital.

C. **Equation Analysis Sheet** *Answers will vary.*

	ASSETS						=	LIABILITIES			+	OWNER'S EQUITY
Beginning Balances												

D. 1. *Answers will vary. Transactions could include performing a service on account, partial payment of a bank loan, payment of overhead expenses like rent, utilities, drawings for the owner, receiving payment for services, etc.*

2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____

CHAPTER 3 REVIEW EXERCISES (continued)
PERSONALIZE IT (continued)

E. Equation Analysis Sheet *Answers will vary.*

	ASSETS						=	LIABILITIES		+	OWNER'S EQUITY
Beginning Balances											
Transaction 1											
Transaction 2											
Transaction 3											
Transaction 4											
Transaction 5											
Transaction 6											
Transaction 7											
Transaction 8											
Transaction 9											
Transaction 10											
Transaction 11											
Transaction 12											
Ending Balances											

CHAPTER 3 REVIEW EXERCISES (continued)
SHARE IT (page 83)

Equation Analysis Sheet

	ASSETS							=	LIABILITIES		+	OWNER'S EQUITY
Beginning Balances								=			+	
Transaction 1								=			+	
Transaction 2								=			+	
Transaction 3								=			+	
Transaction 4								=			+	
Transaction 5								=			+	
Transaction 6								=			+	
Transaction 7								=			+	
Transaction 8								=			+	
Transaction 9								=			+	
Transaction 10								=			+	
Transaction 11								=			+	
Transaction 12								=			+	
Ending Balances								=			+	

CHAPTER 3 REVIEW EXERCISES (continued)**Questions for Further Thought, p. 83**

1. *An account payable is an amount owed to a company for supplying goods or services.*
A loan payable is an amount of money a company borrows from, and owes to, a financial institution. Usually, a loan payable is larger than an account payable, is subject to interest fees, and is repaid in installments.
2. *The fundamental accounting equation is $A = L + OE$. If the balance sheet is out of balance, the equation does not hold true. Thus, it is impossible for the balance sheet to be out of balance and to be correct.*
3. *When recording a transaction on the balance sheet, it is possible for the clerk to make changes that are in balance but not correct. For example, suppose that new equipment is purchased with cash but when recording the changes, the clerk increases Supplies instead of Equipment. The equation will still be in balance because the asset total is correct, but the totals for Supplies and Equipment will both be wrong.*
4. *It is impossible for only one item to change as a result of a business transaction because every transaction has at least two parts. Changing just one item would throw the accounting equation out of balance.*
5. *The equation analysis sheet is better than the balance sheet for recording accounting changes because it has space to calculate the new balances. There is no room to do that on the balance sheet.*
6. *A purchase requisition would not originate in the accounting office. It originates in the accounting office of the vendor.*
7. *No changes would be recorded yet. The claim is not settled and the amount is unknown.*
8. *No changes will be made at this time since you do not actually owe the \$10 000.*

CASE STUDIES (page 84)**Case 1** An Objective Balance Sheet? (p. 84)

- Ted has violated the objectivity principle by listing his assets on the balance sheet at values that are not supported by objective evidence.*
- He should list the lawn mowers at their purchase price of \$20 each. The truck is more difficult to assign a value to because it was a gift. It should be listed at fair market value.*
- A fair market value for the truck could be determined by obtaining a written appraisal from an auto dealer.*
- Any overstatement in the value of assets will result in an equivalent overstatement of the capital account.*

Case 2 Checking Out a New Customer (p. 84)

- From the balance sheet totals, the company appears to be heavily in debt.*
- The main danger is that your company will not be paid for the materials you sell to New Age Manufacturing. Ms. Field's equity is only \$5000, so she does not have much of her own money invested in her company. She also has no proof of the company's actual revenue. She owes a huge sum (\$445 000) and barely has enough assets to cover the debt if her company were to go bankrupt. She might be approaching you for materials because her other suppliers have stopped doing business with her due to unpaid debts.*
- Memos will vary. Students should conclude doing business with New Age Manufacturing is not in their company's best interest and use the points in Question 2 to justify their decision.*

Case 3 The Balance Sheet Shuffle (p. 85)

1.

<i>Assets</i>			<i>Liabilities</i>		<i>Equity</i>
<i>Cash</i>	<i>Truck</i>	<i>Other Assets</i>	<i>Accounts Payable</i>	<i>Other Liabilities</i>	<i>Capital</i>
<i>4 000</i>	<i>8 000</i>	<i>40 000</i>	<i>12 000</i>	<i>30 000</i>	<i>10 000</i>
<i>1. + 8 000</i>	<i>- 8 000</i>				
<i>2. + 10 000</i>				<i>+ 10 000</i>	
<i>3. - 12 000</i>			<i>- 12 000</i>		
<i>10 000</i>	<i>0</i>	<i>40 000</i>	<i>0</i>	<i>40 000</i>	<i>10 000</i>

The revised amounts for total assets is \$50 000 and for total liabilities is \$40 000.

CASE STUDIES (continued)**Case 3** *The Balance Sheet Shuffle* (continued)

- No, the three transactions will not improve Brandon's capital. His capital will remain unchanged at \$10 000.*
- Brandon's chances of obtaining a bank loan will not change much. His chances may actually be reduced, since the sale of the truck has left him with less collateral to offer the bank as security for a loan.*
- Brandon's business is healthier as a result of the transaction. He has more cash available to keep the business operating. He has reduced his expenses by selling an unnecessary truck and his liabilities have been reduced.*

CAREER**Rahim Nanji/Co-operative Education Student** (page 86)**Discussion (p. 86)**

- Participating in a co-operative education program in accounting gives you first-hand experience in your chosen field and helps you earn money for the next school year.*
- Rahim needs to understand the analysis of the transactions when he is entering information into the computer because he needs to put each amount in the right account.*
- Answers will vary. Businesses could include banks, insurance companies, investment firms, or retail or service companies.*

Research and Writing Question (p. 86)

- Answers will vary. Research should include the name of at least two co-operative education programs from a university and/or college, the program names, the prerequisites, and general descriptions. Students should describe their own personal situation regarding finances and career goals. Then they can answer the questions about co-operative education being suitable for them.*