**Chapter One**

**Challenge Exercise 1**

LO: 3

The following items and amounts were taken from Lotte Inc.’s 2022 financial statements.

Cash $ 84,700 Accounts receivable $ 88,419

Retained earnings (1/1/22) 123,192 Sales revenue 584,951

Cost of goods sold 438,192 Notes payable 6,499

Salaries and wages expense 115,131 Accounts payable 49,384

Prepaid insurance 7,818 Service revenue 4,806

Inventory 64,618 Interest expense 1,882

**Instructions**

(a) Prepare a balance sheet as of December 31, 2022.

(b) What percentage of assets were acquired by stockholders’ equity?

**Challenge Exercise 1 – Solution**

(a)

LOTTE CORPORATION

Balance Sheet

December 31, 2022

Assets

Cash $ 84,700

Accounts receivable 88,419

Inventory 64,618

Prepaid insurance 7,818

Total assets $ 245,555

Liabilities and Stockholders’ Equity

Liabilities

Notes payable $ 6,499

Accounts payable 49,384

Total liabilities $ 55,883

Stockholders’ Equity

Common stock 31,928\*\*\*

Retained earnings 157,744\*

Total stockholders’ equity 189,672\*\*

Total liabilities and stockholders’ equity $ 245,555

**Challenge Exercise 1 – Solution (Continued)**

\* $123,192 + ($584,951 + $4,806 - $438,192 - $115,131 - $1,882) = $157,744

\*\* $245,555 - $55,883 = $189,672

\*\*\* $189,672 - $157,744 = $31,928

(b) $189,672 ÷ $245,555 = 77.2%

**Challenge Exercise 2**

LO: 3

This information is for Kidmann Corporation for the year ended December 31, 2022.

Cash collected from customers $60,000

Cash received from issuing common stock 40,000

Cash paid for new building 70,000

Cash dividends paid 6,000

Cash payments to suppliers 15,000

Cash received from sale of equipment 10,000

Cash paid for operating expenses 10,000

Cash paid to retire debt 14,000

Cash balance 1/1/22 13,000

Instructions

Prepare the 2022 statement of cash flows for Kidmann Corporation.

**Challenge Exercise 2 – Solution**

(a)

**KIDMANN CORPORATION**

Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities

Cash collected from customers $60,000

Cash paid to suppliers (15,000)

Cash paid for operating expenses (10,000)

Net cash provided by operating activities $35,000

Cash flows from investing activities

Cash paid for new building (70,000)

Cash received from sale of equipment 10,000

Net cash used by investing activities (60,000)

Cash flows from financing activities

Cash received from issuing common stock 40,000

Cash paid to retire debt (14,000)

Cash dividends paid (6,000)

Net cash provided by financing activities 20,000

Net decrease in cash (5,000)

Cash at beginning of period 13,000

Cash at end of period $ 8,000