**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