

CHAPTER 1

Accounting in Action

ASSIGNMENT CLASSIFICATION TABLE

<u>Learning Objectives</u>	<u>Questions</u>	<u>Brief Exercises</u>	<u>Do It!</u>	<u>Exercises</u>	<u>Problems</u>
1. Identify the activities and users associated with accounting.	1, 2, 3, 4, 5		1	1, 2	
2. Explain the building blocks of accounting: ethics, principles, and assumptions.	6, 7, 8, 9, 10		2	3, 4	
3. State the accounting equation, and define its components.	11, 12, 13, 22	1, 2, 3, 4, 5, 6	3	5	1
4. Analyze the effects of business transactions on the accounting equation.	14, 15, 16, 18	7, 8, 9	4	6, 7, 8	1, 2, 4, 5
5. Describe the five financial statements and how they are prepared.	17, 19, 20, 21	10, 11	5	9, 10, 11, 12, 13, 14, 15, 16, 17, 18	2, 3, 4, 5

ASSIGNMENT CHARACTERISTICS TABLE

Problem Number	Description	Difficulty Level	Time Allotted (min.)
1	Analyze transactions and compute net income.	Moderate	40–50
2	Analyze transactions and prepare income statement, retained earnings statement, and statement of financial position.	Moderate	50–60
3	Prepare income statement, retained earnings statement, and statement of financial position.	Moderate	50–60
4	Analyze transactions and prepare financial statements.	Moderate	40–50
5	Determine financial statement amounts and prepare retained earnings statement.	Moderate	40–50

WEYGANDT FINANCIAL ACCOUNTING IFRS 4E
CHAPTER 1
ACCOUNTING IN ACTION

Number	LO	BT	Difficulty	Time (min.)
BE1	3	AP	Simple	2–4
BE2	3	AP	Simple	3–5
BE3	3	AP	Moderate	4–6
BE4	3	AP	Moderate	4–6
BE5	3	C	Simple	2–4
BE6	3	C	Simple	2–4
BE7	4	C	Simple	2–4
BE8	4	C	Simple	2–4
BE9	4	C	Simple	1–2
BE10	5	AP	Simple	3–5
BE11	5	C	Simple	2–4
DI1	1	K	Simple	2–4
DI2	2	K	Simple	2–4
DI3	3	AP	Simple	6–8
DI4	4	AP	Moderate	8–10
DI5	5	AP	Moderate	10–12
EX1	1	C	Moderate	5–7
EX2	1	C	Simple	6–8
EX3	2	C	Moderate	6–8
EX4	2	C	Moderate	6–8
EX5	3	C	Simple	4–6
EX6	4	C	Simple	6–8
EX7	4	C	Simple	4–6
EX8	4	AP	Moderate	12–15
EX9	5	AP	Simple	12–15
EX10	5	AP	Moderate	8–10
EX11	5	AP	Moderate	6–8
EX12	5	AP	Simple	8–10
EX13	5	AN	Simple	8–10
EX14	5	AP	Simple	10–12
EX15	5	AP	Simple	6–8
EX16	5	AP	Moderate	6–8
EX17	5	AP	Moderate	6–8
EX18	5	C	Simple	2–4

ACCOUNTING IN ACTION (Continued)

Number	LO	BT	Difficulty	Time (min.)
P1	3, 4	AP	Moderate	40–50
P2	4, 5	AP	Moderate	50–60
P3	5	AP	Moderate	50–60
P4	4, 5	AP	Moderate	40–50
P5	4, 5	AP	Moderate	40–50
CT1	5	AN	Simple	10–15
CT2	5	AN	Simple	10–15
CT3	6	C	Simple	15–20
CT4	4	E	Moderate	15–20
CT5	5	E	Simple	12–15
CT6	2	E	Simple	10–12
CT7	-	C	Simple	10–15

Correlation Chart between Bloom's Taxonomy, Learning Objectives and End-of-Chapter Exercises and Problems

Learning Objective	Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation
1. Identify the activities and users associated with accounting.	DI1-1	Q1-1 Q1-2 Q1-3 Q1-4	Q1-5 E1-1 E1-2			
2. Explain the building blocks of accounting: ethics, principles, and assumptions.	DI1-2 Q1-7 Q1-8 Q1-9 Q1-10	Q1-6 E1-3 E1-4				
3. State the accounting equation, and define its components.	Q1-11 Q1-12 Q1-13	BE1-5 BE1-6 E1-5	Q1-22 BE1-1 BE1-2 BE1-3 BE1-4 DI1-3	P1-1		
4. Analyze the effects of business transactions on the accounting equation.		Q1-14 Q1-15 Q1-16 Q1-18 BE1-7	BE1-8 BE1-9 E1-6 E1-7	DI1-4 E1-8 P1-1 P1-2 P1-4	P1-5	
5. Describe the five financial statements and how they are prepared.		Q1-17 Q1-19 Q1-20 BE1-11 E1-18	Q1-21 BE1-10 DI1-5 E1-9 E1-10 E1-11 E1-12 E1-14 E1-15	E1-16 E1-17 P1-2 P1-3 P1-4 P1-5	E1-13	
Expand Your Critical Thinking		Real-World Focus Considering People, Planet, and Profit		Financial Reporting Comparative Analysis		Decision-Making Across the Organization Communication Activity Ethics Case All About You

ANSWERS TO QUESTIONS

1. Yes, this is correct. Virtually every organization and person in our society uses accounting information. Businesses, investors, creditors, government agencies, and not-for-profit organizations must use accounting information to operate effectively.
2. Accounting is the process of identifying, recording, and communicating the economic events of an organization to interested users of the information. The first step of the accounting process is therefore to identify economic events that are relevant to a particular business. Once identified and measured, the events are recorded to provide a history of the financial activities of the organization. Recording consists of keeping a chronological diary of these measured events in an orderly and systematic manner. The information is communicated through the preparation and distribution of accounting reports, the most common of which are called financial statements. A vital element in the communication process is the accountant's ability and responsibility to analyze and interpret the reported information.
3.
 - (a) Internal users are those who plan, organize, and run the business and therefore are officers and other decision makers.
 - (b) To assist management, accounting provides internal reports. Examples include financial comparisons of operating alternatives, projections of income from new sales campaigns, and forecasts of cash needs for the next year.
4.
 - (a) Investors (owners) use accounting information to make decisions to buy, hold, or sell shares.
 - (b) Creditors use accounting information to evaluate the risks of granting credit or lending money.
5. No, this is incorrect. Bookkeeping usually involves only the recording of economic events and therefore is just one part of the entire accounting process. Accounting, on the other hand, involves the entire process of identifying, recording, and communicating economic events.
6. Jackie Remmers Travel Agency should report the land at £85,000 on its December 31, 2020 statement of financial position. This is true not only at the time the land is purchased, but also over the time the land is held. In determining which measurement principle to use (cost or fair value) companies weigh the factual nature of cost figures versus the relevance of fair value. In general, companies use cost. Only in situations where assets are actively traded do companies apply the fair value principle extensively. An important concept that accountants follow is the historical cost principle.
7. The monetary unit assumption requires that only transaction data capable of being expressed in terms of money be included in the accounting records. This assumption enables accounting to quantify (measure) economic events.
8. The economic entity assumption requires that the activities of the entity be kept separate and distinct from the activities of its owners and all other economic entities.
9. The three basic forms of business organizations are: (1) proprietorship, (2) partnership, and (3) corporation.

Questions Chapter 1 (Continued)

10. One of the advantages Teresa Alvarez would enjoy is that ownership of a corporation is represented by transferable shares. This would allow Teresa to raise money easily by selling a part of her ownership in the company. Another advantage is that because holders of the shares (shareholders) enjoy limited liability, they are not personally liable for the debts of the corporate entity. Also, because ownership can be transferred without dissolving the corporation, the corporation enjoys an unlimited life.
11. The basic accounting equation is $\text{Assets} = \text{Liabilities} + \text{Equity}$.
12. (a) Assets are resources owned by a business. Liabilities are claims against assets. Put more simply, liabilities are existing debts and obligations. Equity is the ownership claim on total assets.
(b) Equity is affected by shareholders' investments, dividends, revenues, and expenses.
13. The liabilities are: (b) Accounts payable and (g) Salaries and wages payable.
14. Yes, a business can enter into a transaction in which only the left side of the accounting equation is affected. An example would be a transaction where an increase in one asset is offset by a decrease in another asset. An increase in the Equipment account which is offset by a decrease in the Cash account is a specific example.
15. Business transactions are the economic events of the enterprise recorded by accountants because they affect the basic equation.
(a) No, the death of the president of the company is not a business transaction as it does not affect the basic equation.
(b) Yes, supplies purchased on account is a business transaction as it affects the basic equation.
(c) No, an employee being fired is not a business transaction as it does not affect the basic equation.
16. (a) Decrease assets and decrease equity.
(b) Increase assets and decrease assets.
(c) Increase assets and increase equity.
(d) Decrease assets and decrease liabilities.
17. (a) Income statement. (d) Statement of financial position.
(b) Statement of financial position. (e) Statement of financial position and retained earnings statement.
(c) Income statement. (f) Statement of financial position.
18. No, this treatment is not proper. While the transaction does involve a receipt of cash, it does not represent revenues. Revenues are the gross increase in equity resulting from business activities entered into for the purpose of earning income. This transaction is simply an additional investment made by one of the owners of the business.
19. Yes. Net income does appear on the income statement—it is the result of subtracting expenses from revenues. In addition, net income appears in the retained earnings statement—it is shown as an addition to the beginning-of-period retained earnings. Indirectly, the net income of a company is also included in the statement of financial position. It is included in the Retained Earnings account which appears in the equity section of the statement of financial position.

Questions Chapter 1 (Continued)

20.	(a)	Ending equity balance.....	£198,000
		Beginning equity balance	<u>158,000</u>
		Net income.....	<u>£ 40,000</u>
	(b)	Ending equity balance.....	£198,000
		Beginning equity balance	<u>158,000</u>
			40,000
		Deduct: Investment.....	<u>13,000</u>
		Net income.....	<u>£ 27,000</u>
21.	(a)	Total revenues (£30,000 + £70,000)	£100,000
	(b)	Total expenses (£26,000 + £40,000).....	£66,000
	(c)	Total revenues	£100,000
		Total expenses.....	<u>66,000</u>
		Net income.....	<u>£34,000</u>
22.		TSMC's accounting equation at December 31, 2016 was NT\$1,886,455,302 = NT\$496,404,176 + NT\$1,390,051,126.	

SOLUTIONS TO BRIEF EXERCISES

BRIEF EXERCISE 1.1

- (a) ¥88,000 – ¥50,000 = ¥38,000 (Equity).
 (b) ¥45,000 + ¥70,000 = ¥115,000 (Assets).
 (c) ¥94,000 – ¥60,000 = ¥34,000 (Liabilities).

BRIEF EXERCISE 1.2

- (a) £120,000 + £232,000 = £352,000 (Total assets).
 (b) £190,000 – £80,000 = £110,000 (Total liabilities).

BRIEF EXERCISE 1.3

- (a) (€800,000 + €150,000) – (€300,000 – €60,000) = €710,000 (Equity).
 (b) (€300,000 + €100,000) + (€800,000 – €300,000 – €70,000) = €830,000 (Assets).
 (c) (€800,000 – €80,000) – (€800,000 – €300,000 + €120,000) = €100,000 (Liabilities).

BRIEF EXERCISE 1.4

			Equity							
Assets	=	Liabilities	+	Share Capital	–	Dividends	+	Revenues	–	Expenses
(a) X	=	₺90,000	+	₺150,000	–	₺40,000	+	₺450,000	–	₺340,000
X	=	₺90,000	+	₺220,000						
X	=	<u>₺310,000</u>								
(b) ₺57,000	=	X	+	₺35,000	–	₺7,000	+	₺52,000	–	₺35,000
₺57,000	=	X	+	₺45,000						
X	=	<u>₺12,000</u> (₺57,000 – ₺45,000)								
(c) ₺660,000	=	(₺660,000 x 2/3)	+	X (Equity)						
₺660,000	=	₺440,000	+	X						
X	=	<u>₺220,000</u>								

BRIEF EXERCISE 1.5

<u>A</u>	(a) Accounts receivable	<u>A</u>	(d) Supplies
<u>L</u>	(b) Salaries and wages payable	<u>E</u>	(e) Share capital— Ordinary
<u>A</u>	(c) Equipment	<u>L</u>	(f) Notes payable

BRIEF EXERCISE 1.6

<u>E</u>	(a) Advertising expense	<u>D</u>	(e) Dividends
<u>R</u>	(b) Service revenue	<u>R</u>	(f) Rent revenue
<u>E</u>	(c) Insurance expense	<u>E</u>	(g) Utilities expense
<u>E</u>	(d) Salaries and wages expense		

BRIEF EXERCISE 1.7

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>
(a)	+	+	NE
(b)	+	NE	+
(c)	-	NE	-

BRIEF EXERCISE 1.8

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>
(a)	+	NE	+
(b)	-	NE	-
(c)	NE	NE	NE

BRIEF EXERCISE 1.9

<u>R</u>	(a) Received cash for services performed
<u>NE</u>	(b) Paid cash to purchase equipment
<u>E</u>	(c) Paid employee salaries

BRIEF EXERCISE 1.10

GRANDE LTD.
Statement of Financial Position
December 31, 2020

Assets	
Accounts receivable	£ 62,500
Cash	<u>49,000</u>
Total assets	<u>£111,500</u>
 Equity and Liabilities	
Equity	
Share capital-ordinary	£ 21,500
Liabilities	
Accounts payable	<u>90,000</u>
Total equity and liabilities	<u>£111,500</u>

BRIEF EXERCISE 1.11

<u>SFP</u>	(a) Notes payable
<u>IS</u>	(b) Advertising expense
<u>SFP</u>	(c) Share capital-ordinary
<u>SFP</u>	(d) Cash
<u>IS</u>	(e) Service revenue

SOLUTIONS FOR DO IT! EXERCISES

DO IT! 1.1

1. False. The three steps in the accounting process are identification, recording, and communication.
2. True.
3. False. Financial accounting provides reports to help investors and creditors evaluate a company.
4. True.
5. True.

DO IT! 1.2

1. False. IFRS are issued by the IASB.
2. False. The standards of conduct by which actions are judged as right or wrong, honest or dishonest, fair or not fair, are ethics.
3. False. The primary accounting standard-setting body in the United States is the Financial Accounting Standards Board (FASB).
4. True.
5. True.

DO IT! 1.3

1. Dividends is dividends (D); it decreases equity.
2. Rent Revenue is revenue (R); it increases equity.
3. Advertising Expense is an expense (E); it decreases equity.
4. When the shareholders invest Cash in the business, it is investment by Shareholders (I); it increases equity.

DO IT! 1.4

Assets		=	Liabilities	+	Equity		
Cash	+ Accounts Receivable	=	Accounts Payable	+	Share Capital	- Dividends	+ Revenues - Expenses
(1)	+ R20,000						+R20,000
(2) +R20,000	- R20,000						
(3)			+ R3,200				-R3,200
(4) - R 2,500						-R2,500	

DO IT! 1.5

(a) The total assets are HK\$49,000, comprised of Cash HK\$6,500, Accounts Receivable HK\$13,500, and Equipment HK\$29,000.

(b) Net income is HK\$20,500, computed as follows:

Revenues		
Service revenue.....		HK\$53,500
Expenses		
Salaries and wages expense	HK\$16,500	
Rent expense.....	10,500	
Advertising expense	<u>6,000</u>	
Total expenses		<u>33,000</u>
Net income		<u>HK\$20,500</u>

(c) The ending equity balance of Tsui Repairs is HK\$21,000. By rewriting the accounting equation, we can compute Equity as Assets minus Liabilities, as follows:

Total assets [as computed in (a)]		HK\$49,000
Less: Liabilities		
Notes payable.....	HK\$25,000	
Accounts payable	<u>3,000</u>	<u>28,000</u>
Equity		<u>HK\$21,000</u>

Note that it is not possible to determine the company's equity in any other way, because the beginning balance for equity is not provided.

SOLUTIONS TO EXERCISES

EXERCISE 1.1

- C Analyzing and interpreting information.
- R Classifying economic events.
- C Explaining uses, meaning, and limitations of data.
- R Keeping a systematic chronological diary of events.
- R Measuring events in monetary units.
- C Preparing accounting reports.
- C Reporting information in a standard format.
- I Selecting economic activities relevant to the company.
- R Summarizing economic events.

EXERCISE 1.2

(a) *Internal users*

- Marketing manager
- Production supervisor
- Store manager
- Vice-president of finance

External users

- Customers
- Labor unions
- Financial regulators
- Suppliers
- Taxing authorities

- ### (b)
- I Can we afford to give our employees a pay raise?
 - E Did the company earn a satisfactory income?
 - I Do we need to borrow in the near future?
 - E How does the company's profitability compare to other companies?
 - I What does it cost us to manufacture each unit produced?
 - I Which product should we emphasize?
 - E Will the company be able to pay its short-term debts?

EXERCISE 1.3

Angela Manternach, president of Manternach SE, instructed Carla Ruden, the head of the accounting department, to report the company's land in their accounting reports at its fair value of €170,000 instead of its cost of €100,000, in an effort to make the company appear to be a better investment. Although we have an accounting system that permits various measurement approaches cost should be used whenever there are questions regarding the reliability of a fair value. In this case, valuation of land is too subjective and therefore the cost principle should be used.

The stakeholders include shareholders and creditors of Manternach, potential shareholders and creditors, other users of Manternach accounting reports, Angela Manternach, and Carla Ruden. All users of Manternach's accounting reports could be harmed by relying on information that is misleading. Angela Manternach could benefit if the company is able to attract more investors, but would be harmed if the misleading reporting is discovered. Similarly, Carla Ruden could benefit by pleasing her boss, but would be harmed if the misleading reporting is discovered.

In general, even though IFRS allows companies to revalue property, plant, and equipment and other long-held assets to fair value, most companies choose to use cost. Only in situations where assets are actually traded, such as investment securities, do companies apply the fair value principle extensively.

Carla's alternatives are to report the land at €100,000 or to report it at €170,000. Reporting the land at €170,000 is not appropriate because Angela thinks it is "probably worth" that amount and it would mislead many people who rely on Manternach's accounting reports to make financial decisions. Carla should report the land at its cost of €100,000. She should try to convince Angela Manternach that this is the appropriate course of action, but be prepared to resign her position if Manternach insists.

EXERCISE 1.4

1. **Correct.** The *fair value principle* allows companies to revalue property, plant and equipment to fair value. However, most companies choose not to instead, due to reliability concerns about valuation, and negative effects on net income, most companies report property, plant and equipment at cost.
2. **Correct.** The *monetary unit assumption* requires that companies include in the accounting records only transaction data that can be expressed in terms of money.
3. **Incorrect.** The *economic entity assumption* requires that the activities of the entity be kept separate and distinct from the activities of its owner and all other economic entities.

EXERCISE 1.5

Asset	Liability	Equity
Cash	Accounts payable	Share Capital—
Equipment	Notes payable	Ordinary
Supplies	Salaries and wages payable	
Accounts receivable		

EXERCISE 1.6

1. Increase in assets and increase in equity.
2. Decrease in assets and decrease in equity.
3. Increase in assets and increase in liabilities.
4. Increase in assets and increase in equity.
5. Decrease in assets and decrease in equity.
6. Increase in assets and decrease in assets.
7. Increase in liabilities and decrease in equity.
8. Increase in assets and decrease in assets.
9. Increase in assets and increase in equity.

EXERCISE 1.7

- | | |
|--------|--------|
| 1. (c) | 5. (d) |
| 2. (d) | 6. (b) |
| 3. (a) | 7. (e) |
| 4. (b) | 8. (f) |

EXERCISE 1.8

- (a)
1. Shareholders invested £15,000 cash in the business.
 2. Purchased equipment for £5,000, paying £2,000 in cash and the balance of £3,000 on account.
 3. Paid £750 cash for supplies.
 4. Earned £9,100 in revenue, receiving £4,600 cash and £4,500 on account.
 5. Paid £1,500 cash on accounts payable.
 6. Paid £2,000 cash dividend.
 7. Paid £650 cash for rent.
 8. Collected £450 cash from customers on account.
 9. Paid salaries and wages of £3,900.
 10. Incurred £500 of utilities expense on account.

(b)	Investment.....	£15,000
	Service revenue	9,100
	Dividends	(2,000)
	Rent expense	(650)
	Salaries and wages expense	(3,900)
	Utilities expense	<u>(500)</u>
	Increase in equity	<u>£17,050</u>

(c)	Service revenue	£9,100
	Rent expense	(650)
	Salaries and wages expense	(3,900)
	Utilities expense	<u>(500)</u>
	Net income	<u>£4,050</u>

EXERCISE 1.9

KANG & CO
Income Statement
For the Month Ended August 31, 2020

Revenues		
Service revenue		£9,100
Expenses		
Salaries and wages expense.....	£3,900	
Rent expense	650	
Utilities expense	<u>500</u>	
Total expenses		<u>5,050</u>
Net income		<u>£4,050</u>

KANG & CO
Retained Earnings Statement
For the Month Ended August 31, 2020

Retained earnings, August 1		£ 0
Add: Net income.....		<u>4,050</u>
		4,050
Less: Dividends.....		<u>2,000</u>
Retained earnings, August 31		<u>£ 2,050</u>

KANG & CO
Statement of Financial Position
August 31, 2020

Assets		
Equipment.....		£ 5,000
Supplies		750
Accounts receivable.....		4,050
Cash		<u>9,250</u>
Total assets		<u>£19,050</u>
Equity and Liabilities		
Equity		
Share capital—ordinary.....	£15,000	
Retained earnings.....	<u>2,050</u>	£17,050
Liabilities		
Accounts payable		<u>2,000</u>
Total equity and liabilities		<u>£19,050</u>

EXERCISE 1.10

(a) Equity—12/31/19 (€400,000 – €250,000).....	€150,000
Equity—1/1/19	<u>100,000</u>
Increase in equity	50,000
Add: Dividends	<u>12,000</u>
Net income for 2019.....	<u>€ 62,000</u>
(b) Equity—12/31/20 (€460,000 – €300,000).....	€160,000
Equity—1/1/20—see (a)	<u>150,000</u>
Increase in equity	10,000
Less: Additional investment	<u>34,000</u>
Net loss for 2020	<u>€(24,000)</u>
(c) Equity—12/31/21 (€590,000 – €400,000).....	€190,000
Equity—1/1/21—see (b)	<u>160,000</u>
Increase in equity	30,000
Less: Additional investment	<u>12,000</u>
	18,000
Add: Dividends	<u>25,000</u>
Net income for 2021.....	<u>€ 43,000</u>

EXERCISE 1.11

(a) Total assets (beginning of year)	€110,000
Total liabilities (beginning of year).....	<u>85,000</u>
Total equity (beginning of year).....	<u>€ 25,000</u>
(b) Total equity (end of year)	€ 40,000
Total equity (beginning of year).....	<u>25,000</u>
Increase in equity	<u>€ 15,000</u>
Total revenues	€220,000
Total expenses.....	<u>175,000</u>
Net income	<u>€ 45,000</u>
Increase in equity	€ 15,000
Less: Net income	€ (45,000)
Add: Dividends	<u>37,000</u>
Additional investment	<u>€ 7,000</u>
	<u>(8,000)</u>

EXERCISE 1.11 (Continued)

(c) Total assets (beginning of year)		€129,000
Total equity (beginning of year).....		<u>80,000</u>
Total liabilities (beginning of year).....		<u>€ 49,000</u>
 (d) Total Equity (end of year).....		€130,000
Total Equity (beginning of year)		<u>80,000</u>
Increase in Equity		<u>€ 50,000</u>
 Total revenues		€100,000
Total expenses.....		<u>60,000</u>
Net income		<u>€ 40,000</u>
 Increase in Equity		€ 50,000
Less: Net income	€ (40,000)	
Additional investment	<u>(25,000)</u>	<u>(65,000)</u>
Dividends		<u>€ 15,000</u>

EXERCISE 1.12

(a)

KAREN WEIGEL CO.
Income Statement
For the Year Ended December 31, 2020

Revenues		
Service revenue		\$63,600
Expenses		
Salaries and wages expense.....	\$30,200	
Rent expense	10,400	
Utilities expense	3,100	
Advertising expense.....	<u>1,800</u>	
Total expenses		<u>45,500</u>
Net income		<u>\$18,100</u>

(b)

KAREN WEIGEL CO.
Comprehensive Income Statement
For the Year Ended December 31, 2020

Net income.....		\$18,100
Other comprehensive income		<u>460</u>
Comprehensive income		<u>\$18,560</u>

EXERCISE 1.13

SANCULI SPA
Statement of Financial Position
December 31, 2020

Assets	
Equipment.....	€48,000
Supplies	8,000
Accounts receivable	8,500
Cash	<u>14,000</u>
Total assets	<u>€78,500</u>
 Equity and Liabilities	
Equity	
Share capital—Ordinary	€50,000
Retained earnings (€17,500 – €5,000).....	<u>12,500</u>
	€62,500
Liabilities	
Accounts payable	<u>16,000</u>
Total equity and liabilities	<u>€78,500</u>

EXERCISE 1.14

(a) Camping fee revenues	£140,000
General store revenues	<u>47,000</u>
Total revenue	187,000
Expenses.....	<u>150,000</u>
Net income	<u>£ 37,000</u>

EXERCISE 1.14 (Continued)

**(b) BEAR PARK
Statement of Financial Position
December 31, 2020**

Assets		
Equipment		£105,500
Supplies.....		2,500
Cash.....		<u>20,000</u>
Total assets		<u>£128,000</u>
 Equity and Liabilities		
Equity		
Share capital—ordinary	£20,000	
Retained earnings	<u>37,000</u>	
Total equity		£ 57,000
Liabilities		
Notes payable.....	60,000	
Accounts payable.....	<u>11,000</u>	
Total liabilities		<u>71,000</u>
Total equity and liabilities		<u>£128,000</u>

EXERCISE 1.15

**DELGADO CRUISE SA
Income Statement
For the Year Ended December 31, 2020**

Revenues		
Ticket revenue.....		R\$342,000
Expenses		
Salaries and wages expense.....	R\$144,000	
Maintenance and repairs expense.....	97,000	
Utilities expense	10,000	
Advertising expense.....	<u>3,500</u>	
Total expenses		<u>254,500</u>
Net income		<u>R\$ 87,500</u>

EXERCISE 1.15 (Continued)

DELGADO CRUISE SA
Comprehensive Income Statement
For the Year Ended December 31, 2020

Net income.....	R\$87,500
Other comprehensive income	<u>4,200</u>
Comprehensive income	<u><u>R\$91,700</u></u>

EXERCISE 1.16

LING AN CO.
Retained Earnings Statement
For the Year Ended December 31, 2020

Retained earnings, January 1	£ 23,000
Add: Net income	<u>129,000*</u>
	152,000
Less: Dividends.....	<u>64,000</u>
Retained earnings, December 31	<u><u>£ 88,000</u></u>

*Legal service revenue	£340,000
Total expenses	<u>211,000</u>
Net income.....	<u><u>£129,000</u></u>

EXERCISE 1.17

JAVA GROWERS
Statement of Cash Flows
For the Year Ended December 31, 2020
(Amounts in thousands)

Cash flows from operating activities		
Cash receipts from revenues		Rp600,000
Cash payments for expenses		<u>(430,000)</u>
Net cash provided by operating activities		170,000
Cash flows from investing activities		
Purchase of equipment		(95,000)
Cash flows from financing activities		
Sale of ordinary shares	Rp280,000	
Payment of cash dividends.....	<u>(20,000)</u>	<u>260,000</u>
Net increase in cash.....		335,000
Cash at the beginning of the period.....		<u>28,000</u>
Cash at the end of the period		<u><u>Rp363,000</u></u>

EXERCISE 1.18

Transactions 4, 5 and 7 are operating activities.
Transaction 3 is an investing activity.
Transactions 1, 2 and 6 are financing activities.

SOLUTIONS TO PROBLEMS

PROBLEM 1.1

(a) MIAOLI'S TRAVEL AGENCY

										Equity						
										Share			Revenues			Expenses
Cash	Accounts			Accounts			Capital	Dividends	+	-			-			
+	Receivable	+	Supplies	+	Equipment	=	Payable	+	-	+	-	-	-			
1. <u>+NT\$15,000</u>						=		<u>+NT\$15,000</u>								
15,000						=		15,000								
2. <u>-600</u>						=							<u>-NT\$600</u>			
14,400						=		15,000					-600			
3. <u>-3,000</u>					<u>+NT\$3,000</u>	=										
11,400					3,000	=		15,000					-600			
4. <u>-900</u>						=	<u>+NT\$700</u>						<u>-700</u>			
11,400					3,000	=	700	15,000					-1,300			
5. <u>-900</u>			<u>+NT\$900</u>			=										
10,500			900		3,000	=	700	15,000					-1,300			
6. <u>+3,000</u>	<u>+NT\$7,000</u>					=					<u>+NT\$10,000</u>					
13,500	7,000				3,000	=	700	15,000			10,000		-1,300			
7. <u>-600</u>						=										
12,900	7,000				3,000	=	700	15,000	<u>-NT\$600</u>				-1,300			
8. <u>-500</u>						=	<u>-500</u>									
12,400	7,000				3,000	=	200	15,000	-600		10,000		-1,300			
9. <u>-2,500</u>						=							<u>-2,500</u>			
9,900	7,000				3,000	=	200	15,000	-600		10,000		-3,800			
10. <u>+4,000</u>	<u>- 4,000</u>					=										
<u>NT \$13,900</u>	<u>NT \$3,000</u>		<u>NT \$900</u>		<u>NT \$3,000</u>	=	<u>NT \$200</u>	<u>NT\$15,000</u>			<u>NT\$600</u>		<u>NT\$10,000</u>	<u>NT\$3,800</u>		
NT\$20,800					NT\$20,800											

PROBLEM 1.1 (Continued)

(b) Service revenue		NT\$10,000
Expenses		
Salaries and wages	NT\$2,500	
Advertising	700	
Rent	600	3,800
Net income		<u>NT\$ 6,200</u>

(a)

AI FANG, ATTORNEY AT LAW

	Assets				=	Liabilities and Equity					
	Cash	Accounts Receivable	Supplies	Equipment		Notes Payable	Accounts Payable	Share Capital	Revenues	Expenses	Dividends
Bal.	¥5,000	+ ¥1,500	+ ¥500	+ ¥6,000	=	¥4,200	+ ¥8,800				
1.	<u>+1,200</u>	<u>-1,200</u>									
	6,200	+ 300	+ 500	+ 6,000	=	4,200	+ 8,800				
2.	<u>-2,800</u>					<u>-2,800</u>					
	3,400	+ 300	+ 500	+ 6,000	=	1,400	+ 8,800				
3.	<u>+4,000</u>	<u>+3,500</u>						<u>+¥7,500</u>			
	7,400	+ 3,800	+ 500	+ 6,000	=	1,400	+ 8,800	7,500			
4.	<u>-400</u>			<u>+2,000</u>		<u>+1,600</u>					
	7,000	+ 3,800	+ 500	+ 8,000	=	3,000	+ 8,800	+ 7,500			
5.	<u>-4,100</u>								<u>-¥2,800</u>		
									-900		
									<u>-400</u>		
	2,900	+ 3,800	+ 500	+ 8,000	=	3,000	+ 8,800	+ 7,500	-4,100		
6.	<u>-700</u>									<u>-¥700</u>	
	2,200	+ 3,800	+ 500	+ 8,000	=	3,000	+ 8,800	+ 7,500	-4,100	-700	
7.	<u>+2,000</u>					<u>+¥2,000</u>					
	4,200	+ 3,800	+ 500	+ 8,000	=	2,000	+ 3,000	+ 8,800	+ 7,500	-4,100	-700
8.							<u>+270</u>			<u>-270</u>	
	<u>¥4,200</u>	+ <u>¥3,800</u>	+ <u>¥500</u>	+ <u>¥8,000</u>	=	<u>¥2,000</u>	+ <u>¥3,270</u>	+ <u>¥8,800</u>	+ <u>¥7,500</u>	- <u>¥4,370</u>	- <u>¥700</u>
	¥16,500					¥16,500					

PROBLEM 1.2

PROBLEM 1.2 (Continued)

**(b) AI FANG, ATTORNEY AT LAW
Income Statement
For the Month Ended August 31, 2020**

Revenues		
Service revenue.....		¥7,500
Expenses		
Salaries and wages expense	¥2,800	
Rent expense.....	900	
Advertising expense	400	
Utilities expense.....	270	
Total expenses.....		<u>4,370</u>
Net income		<u>¥3,130</u>

**AI FANG, ATTORNEY AT LAW
Retained Earnings Statement
For the Month Ended August 31, 2020**

Retained earnings, August 1.....	¥ 4,800
Add: Net income	<u>3,130</u>
	7,930
Less: Dividends	<u>700</u>
Retained earnings, August 31.....	<u>¥7,230</u>

PROBLEM 1.2 (Continued)

AI FANG COMPANY
Statement of Financial Position
August 31, 2020

Assets		
Equipment		¥ 8,000
Supplies		500
Accounts receivable		3,800
Cash		<u>4,200</u>
Total assets		<u>¥16,500</u>
Equity and Liabilities		
Equity		
Share capital—Ordinary	¥ 4,000	
Retained earnings	<u>7,230</u>	¥11,230
Liabilities		
Notes payable	2,000	
Accounts payable	<u>3,270</u>	
Total liabilities		<u>5,270</u>
Total equity and liabilities		<u>¥16,500</u>

PROBLEM 1.3

(a) **PARK FLYING SCHOOL LTD.**
Income Statement (in thousands)
For the Month Ended May 31, 2020

Revenues		
Service revenue.....		₩6,800
Expenses		
Gasoline expense.....	₩2,500	
Rent expense.....	1,000	
Advertising expense	500	
Utilities expense.....	400	
Maintenance and repairs expense	<u>400</u>	
Total expenses.....		<u>4,800</u>
Net income		<u><u>₩ 2,000</u></u>

PARK FLYING SCHOOL LTD.
Retained Earnings Statement (in thousands)
For the Month Ended May 31, 2020

Retained Earnings, May 1.....		₩ 0
Add: Net income.....		<u>2,000</u>
		2,000
Less: Dividends		<u>480</u>
Retained earnings, May 31		<u><u>₩ 1,520</u></u>

PARK FLYING SCHOOL LTD.
Statement of Financial Position (in thousands)
May 31, 2020

Assets		
Equipment		₩64,000
Accounts receivable		7,420
Cash.....		<u>4,500</u>
Total assets		<u><u>₩ 75,920</u></u>

PROBLEM 1.3 (Continued)

PARK FLYING SCHOOL LTD.
Statement of Financial Position (Continued)
May 31, 2020

Equity and Liabilities		
Equity		
Share capital—ordinary	W45,000	
Retained earnings	<u>1,520</u>	
Total equity		W46,520
Liabilities		
Notes payable	28,000	
Accounts payable	<u>1,400</u>	
Total liabilities		<u>29,400</u>
Total equity and liabilities		<u><u>W75,920</u></u>

(b) **PARK FLYING SCHOOL LTD.**
Income Statement (in thousands)
For the Month Ended May 31, 2020

Revenues		
Service revenue (W6,800 + W900)		W7,700
Expenses		
Gasoline expense (W2,500 + W1,500)	W4,000	
Rent expense	1,000	
Advertising expense	500	
Utilities expense	400	
Maintenance and repairs expense	<u>400</u>	
Total expenses		<u>6,300</u>
Net income		<u><u>W1,400</u></u>

PARK FLYING SCHOOL LTD.
Retained Earnings Statement (in thousands)
For the Month Ended May 31, 2020

Retained Earnings, May 1	W 0
Add: Net income	<u>1,400</u>
	1,400
Less: Dividends	<u>480</u>
Retained Earnings, May 31	<u><u>W 920</u></u>

(a) **STINER DELIVERIES LTD.**

Date	Assets				=	Liabilities		+	Equity				
	Cash	Receivable	Supplies	Equipment	Notes Payable	Accounts Payable	Share Capital	Revenues	Expenses	Dividends			
June 1	£10,000						<u>+£10,000</u>						
June 2	<u>-2,000</u>			<u>+£14,000</u>	<u>+£12,000</u>								
	8,000 +			14,000 =	12,000 +		10,000						
June 3	<u>-500</u>										<u>-£ 500</u>	(a)	
	7,500 +			14,000 =	12,000 +		10,000				-500		
June 5		<u>+£4,800</u>							<u>£4,800</u>			(b)	
	7,500 +	4,800 +		14,000 =	12,000 +		10,000 +	4,800			-500		
June 9	<u>-300</u>											<u>-£300</u>	(c)
	7,200 +	4,800 +		14,000 =	12,000 +		10,000 +	4,800 -			-500 -	-300	
June 12			<u>+£150</u>				<u>+£150</u>						
	7,200 +	4,800 +	150 +	14,000 =	12,000 +	150 +	10,000 +	4,800 -			-500 -	-300	
June 15	<u>+1,250</u>	<u>-1,250</u>											
	8,450 +	3,550 +	150 +	14,000 =	12,000 +	150 +	10,000 +	4,800 -			-500 -	-300	
June 17						<u>+100</u>					<u>-100</u>		(d)
	8,450 +	3,550 +	150 +	14,000 =	12,000 +	250 +	10,000 +	4,800 -			-600 -	-300	
June 20	<u>+1,500</u>								<u>1,500</u>				(e)
	9,950 +	3,550 +	150 +	14,000 =	12,000 +	250 +	10,000 +	6,300 -			-600 -	-300	
June 23	<u>-500</u>												
	9,450 +	3,550 +	150 +	14,000 =	11,500 +	250 +	10,000 +	6,300 -			-600 -	-300	
June 26	<u>-250</u>										<u>-250</u>		(f)
	9,200 +	3,550 +	150 +	14,000 =	11,500 +	250 +	10,000 +	6,300 -			-850 -	-300	
June 29	<u>-100</u>												
	9,100 +	3,550 +	150 +	14,000 =	11,500 +	150 +	10,000 +	6,300 -			-850 -	-300	
June 30	<u>-1,000</u>										<u>-1,000</u>		(g)
	<u>£ 8,100</u> +	<u>£3,550</u> +	<u>£150</u> +	<u>£14,000</u> =	<u>£ 11,500</u> +	<u>£150</u> +	<u>£10,000</u> +	<u>£6,300</u> -			<u>£1,850</u> -	<u>£300</u>	
	<u>£25,800</u>					<u>£25,800</u>							

PROBLEM 1.4

PROBLEM 1.4 (Continued)

Key to Retained Earnings Column

- | | |
|----------------------|--------------------------------|
| (a) Rent expense | (e) Service revenue |
| (b) Service revenue | (f) Utilities expense |
| (c) Dividends | (g) Salaries and wages expense |
| (d) Gasoline expense | |

(b) **STINER DELIVERIES LTD.**
Income Statement
For the Month Ended June 30, 2020

Revenues		
Service revenue (£4,800 + £1,500).....		£6,300
Expenses		
Salaries and wages expense.....	£1,000	
Rent expense.....	500	
Utilities expense.....	250	
Gasoline expense.....	<u>100</u>	
Total expenses.....		<u>1,850</u>
Net income		<u>£4,450</u>

(c) **STINER DELIVERIES LTD.**
Statement of Financial Position
June 30, 2020

Assets		
Equipment.....		£14,000
Supplies		150
Accounts receivable.....		3,550
Cash.....		<u>8,100</u>
Total assets		<u>£25,800</u>
Equity and Liabilities		
Equity		
Share capital—ordinary.....	£10,000	
Retained earnings (£4,450 – £300).....	<u>4,150</u>	
Total equity		£14,150
Liabilities		
Notes payable.....	11,500	
Accounts payable	<u>150</u>	
Total liabilities.....		<u>11,650</u>
Total equity and liabilities		<u>£25,800</u>

PROBLEM 1.5

	Crosby Company	Stills Company	Nash Company	Young Company
(a)	HK\$250,000	(d) HK\$600,000	(g) HK\$1,200,000	(j) HK\$ 500,000
(b)	950,000	(e) 620,000	(h) 700,000	(k) 2,200,000
(c)	50,000	(f) 380,000	(i) 4,310,000	(l) 4,650,000

(b)

STILLS COMPANY
Retained Earnings Statement
For the Year Ended December 31, 2020

Retained earnings, January 1.....	HK\$200,000
Add: Net income	<u>350,000</u>
	550,000
Less: Dividends	<u>380,000</u>
Retained earnings, December 31.....	<u><u>HK\$170,000</u></u>

(c) The sequence of preparing financial statements is income statement, retained earnings statement, and statement of financial position. The interrelationship of the retained earnings statement to the other financial statements results from the fact that net income from the income statement is reported in the retained earnings statement and ending retained earnings reported in the retained earnings statement is the amount reported for retained earnings on the statement of financial position.

- (a) TSMC's total assets at December 31, 2016 were NT\$ 1,886,455,302 and at December 31, 2015 were NT\$ 1,657,518,298.
- (b) TSMC had NT\$ 541,253,833 of cash and cash equivalents at December 31, 2016.
- (c) TSMC had accounts payable totaling NT\$ 26,062,351 on December 31, 2016 and NT\$ 18,575,286 on December 31, 2015.
- (d) TSMC reports revenues for 2016 of NT\$ 947,938,344 and for 2015 of NT\$ 843,497,368 million.
- (e) From 2015 to 2016, TSMC's net income increased NT\$ 27,782,069 from NT\$ 306,556,167 to NT\$ 334,338,236.

(a)	Nestlé (in millions)	Delfi Limited (in thousands)
1. Total assets	CHF 131,901	US\$342,331
2. Accounts (trade) receivable (net)	CHF 12,411	US\$ 61,756
3. Net sales	CHF 89,469	US\$402,083
4. Net income (profit)	CHF 8,883	US\$ 26,153
(b)	Nestlé	Delfi Limited
Receivables as a percentage of total assets.	9.41%	18.04%
Net income as a percentage of sales (revenue).	9.93%	6.50%

(a) The skills required in these areas:

People skills, sales skills, communication skills, analytical skills, ability to synthesize, creative ability, initiative, computer skills.

(b) The skills required in these areas differ as follows:

	<u>Auditing</u>	<u>Financial and Tax</u>	<u>Management Accounting</u>
People skills	Medium	Medium	Medium
Sales skills	Medium	Medium	Low
Communication skills	Medium	Medium	High
Analytical skills	High	Very High	High
Ability to synthesize	Medium	Low	High
Creative ability	Low	Medium	Medium
Initiative	Medium	Medium	Medium
Computer skills	High	High	Very High

- (a) The estimate of the £6,100 loss was based on the difference between the £25,000 invested in the driving range and the bank balance of £18,900 at March 31. This is not a valid basis for determining income because it only shows the change in cash between two points in time.
- (b) The statement of financial position at March 31 is as follows:

CHIP-SHOT DRIVING RANGE, LTD.
Statement of Financial Position
March 31, 2020

Assets		
Building		£ 8,000
Equipment		800
Cash		<u>18,900</u>
Total assets		<u>£27,700</u>
Equity and Liabilities		
Equity		
Share capital-ordinary	£25,000	
Retained earnings	<u>2,480</u>	£27,480
Liabilities		
Accounts payable (£120 + £100)		<u>220</u>
Total equity and liabilities		<u>£27,700</u>

As shown in the statement of financial position, the equity at March 31 is £27,480. The estimate of £2,480 of net income is the difference between the initial investment of £25,000 and £27,480. This was not a valid basis for determining net income because changes in equity between two points in time may have been caused by factors unrelated to net income. For example, there may be dividends and/or additional investments by the owner.

CT 1.4 (Continued)

- (c) Actual net income for March can be determined by adding dividends to the change in equity during the month as shown below:

Equity, March 31, per statement of financial position.....	£27,480
Equity, March 1	<u>(25,000)</u>
Increase in equity	2,480
Add: Dividends	<u>1,000</u>
Net income	<u>£ 3,480</u>

Alternatively, net income can be found by determining the revenues earned [described in (d) below] and subtracting expenses.

- (d) Revenues earned can be determined by adding expenses incurred during the month to net income. March expenses were Rent, £1,000; Salaries and Wages, £500; Advertising, £750; and Utilities, £120 for a total of £2,370. Revenues earned, therefore, were £5,850 (£2,370 + £3,480). Alternatively, since all revenues are received in cash, revenues earned can be computed from an analysis of the changes in cash as follows:

Beginning cash balance.....		£25,000
Less: Cash payments		
Caddy shack	£8,000	
Golf balls and clubs	800	
Rent	1,000	
Advertising.....	650	
Salaries and wages	500	
Dividends	<u>1,000</u>	<u>11,950</u>
Cash balance before revenues		13,050
Cash balance, March 31		<u>18,900</u>
Revenues earned.....		<u>£ 5,850</u>

To: Erin Danielle
From: Student

I have received the statement of financial position of Liverpool Ltd. as of December 31, 2020. A number of items in this statement of financial position are not properly reported. They are:

1. The statement of financial position should be dated as of a specific date, not for a period of time. Therefore, it should be dated “December 31, 2020.”
2. Cash should be reported after Supplies on the statement of financial position.
3. Accounts receivable should be shown as an asset, not a liability, and reported between Cash and Supplies on the statement of financial position.
4. Accounts payable should be shown as a liability, not an asset. The note payable is also a liability and should be reported in the liability section.
5. Liabilities and equity should be shown on the statement of financial position. Share capital—ordinary is not a liability.
6. Share capital—ordinary and retained earnings are part of equity.

CT 1.5 (Continued)

A correct statement of financial position is as follows:

LIVERPOOL LTD.
Statement of Financial Position
December 31, 2020

Assets		
Equipment.....		£25,500
Supplies		3,000
Accounts receivable		5,000
Cash		<u>9,000</u>
Total assets.....		<u>£42,500</u>
Equity and Liabilities		
Equity		
Share capital—ordinary.....	£26,000	
Retained earnings.....	<u>(2,000)</u>	
Total liabilities		£24,000
Liabilities		
Notes payable	10,500	
Accounts payable	<u>8,000</u>	
Total liabilities		<u>18,500</u>
Total equity and liabilities.....		<u>£42,500</u>

- (a) Answers to the following will vary depending on students' opinions.
- (1) This does not represent the hiding of assets, but rather a choice as to the order of use of assets. This would seem to be ethical.
 - (2) This does not represent the hiding of assets, but rather is a change in the nature of assets. Since the expenditure was necessary, although perhaps accelerated, it would seem to be ethical.
 - (3) This represents an intentional attempt to deceive the financial aid office. It would therefore appear to be both unethical and potentially illegal.
 - (4) This is a difficult issue. By taking the leave, actual net income would be reduced. The form asks the applicant to report actual net income. However, it is potentially deceptive since you do not intend on taking unpaid absences in the future, thus future income would be higher than reported income.
- (b) Companies might want to overstate net income in order to potentially increase the stock price by improving investors' perceptions of the company. Also, a higher net income would make it easier to receive debt financing. Finally, managers would want a higher net income to increase the size of their bonuses.
- (c) Sometimes companies want to report a lower income if they are negotiating with employees. For example, professional sports teams frequently argue that they can not increase salaries because they aren't making enough money. This also occurs in negotiations with unions. For tax accounting (as opposed to the financial accounting in this course) companies frequently try to minimize the amount of reported taxable income.
- (d) Unfortunately many times people who are otherwise very ethical will make unethical decisions regarding financial reporting. They might be driven to do this because of greed. Frequently it is because their superiors have put pressure on them to take an unethical action, and they are afraid to not follow directions because they might lose their job. Also, in some instances top managers will tell subordinates that they should be a team player, and do the action because it would help the company, and therefore would help fellow employees.

The 5 aspirations of the company are related to sustaining (1) its business, (2) its brands, (3) its people, (4) its communities, and (5) the planet.

GAAP 1-1

The International Accounting Standards Board, IASB, and the Financial Accounting Standards Board, FASB, are two key players in developing international accounting standards. The IASB releases international standards known as International Financial Reporting Standards (IFRS). The FASB releases U.S. standards, referred to as Generally Accepted Accounting Principles or GAAP.

GAAP 1-2

Accounting standards have developed in different ways because the standard setters have responded to different user needs. In some countries, the primary users of financial statements are private investors; in others the primary users are taxing authorities or central government planners.

GAAP 1-3

A single set of high-quality accounting standards is needed because of increases in multinational corporations, mergers and acquisitions, use of information technology, and international financial markets.

GAAP 1-4

Currently the internal control standards applicable to Sarbanes-Oxley (SOX) apply only to large public companies listed on U.S. exchanges. If such standards were adopted by non-U.S. companies, users of statements would benefit from more uniform regulation and U.S. companies would be competing on a more “even” playing field. The disadvantage of adopting SOX would be the additional cost associated with its required internal control measures.

GAAP 1.5**GAAP FINANCIAL REPORTING PROBLEM**

- (a) Apple's total assets at September 24, 2016 were \$321,686 million and at September 26, 2015 were \$290,345 million.
- (b) Apple had \$20,484 million of cash and cash equivalents at September 24, 2016.
- (c) Apple had accounts payable totaling \$37,294 million on September 24, 2016 and \$35,490 million on September 26, 2015.
- (d) Apple reports net sales for three consecutive years as follows:
- | | |
|------|-------------------|
| 2014 | \$182,795 million |
| 2015 | \$233,715 million |
| 2016 | \$215,639 million |
- (e) From 2015 to 2016, Apple's net income decreased \$7,707 million from \$53,394 million to \$45,687 million.