Consider the following narrative to determine the financial performance of a small bike company. The company started in 2014 with $26,000 in revenue and $22,000 in expenses. The fiscal year ends August 31st. Use the following information to determine the financial position of the company.

- In the second year of operations, the owner’s friends pitch in $35,000 for stock.
- Running low on cash, the company borrows $5,000 from a local bank.
- For inventory, the company purchases 200 bikes @ $60 each.
- Over the course of the year the company sells 160 bikes @ $150 each.
- Employees are paid $9,500 in August, with an additional $3,000 to be paid in September.
- Receive a bill from the bank in August; $500 in interest in due September 1st.
- At the end of the fiscal year, management decides to pay stockholders a $3000 dividend on the last day of the fiscal year to reward their contributions.

How much cash does the Company have at the end of the year (August 31st)?

\[
\begin{align*}
35,000 &+ 5,000 \\
- 12,000 &+ 24,000 \\
- 9,500 &- 3,000 \\
- &39,500 \\
\end{align*}
\]

What is the company’s profit?

\[
\begin{align*}
\text{Revenue} & \quad (150 \cdot 160) = 24,000 \\
\text{Cost of goods sold} & \quad (60 \cdot 200) = 12,000 \\
\text{COGS} & \quad 12,000 \\
\text{Expenses} & \quad 12,500 \\
\text{Nages} & \quad 12,500 \\
\text{Interest} & \quad 500 \\
\text{Net Income} & \quad -1000 \\
\end{align*}
\]

What are the ending retained earnings at the end of the year?

\[
\text{Last year's retained earnings} + \text{Net Income} - \text{Dividends} = \text{End RE}
\]

\[
(26,000 - 22,000) + (-1000) - 3,000 = \text{End RE}
\]

\[
4,000 + -1000 - 3,000 = 0
\]
In its first year of operations a company had revenue of $10,000 and dividends of $500. The balance on the last day was as follows: Assets of $11,000; Contributed Capital of $2,000; Liabilities of $3,000. What were the companies Liabilities and Expenses?

\[ A = L + SE \]
\[ RE = 6,000 \]
\[ 11,000 = 3,000 + 2,000 + RE \]
\[ 0 + NI - 500 = 6,000 \]
\[ NI = 6,500 \]
\[ 10,000 - Exp = 6,500 \]
\[ Exp = 3,500 \]

A company has Assets of $16,000; Retained Earnings of $3,000; Liabilities of $8,000; Revenue of $8,000; Expenses of $6,600; Dividends of $500. What were the companies Beginning Retained Earnings and Contributed Capital?

\[ Revenue - Expenses = NI \]
\[ 8,000 - 6,000 = 2,000 \]
\[ Beg RE + NI - Div = End RE \]
\[ Beg RE + 2,000 - 500 = 3,000 \]
\[ Beg RE = 1,500 \]
\[ 16,000 = 8,000 + CC + 3,000 \]
\[ CC = 5,000 \]

Using the following information determine the amount of dividends paid during the first year of operations.

Cash: $3000
A/P: $300
A/R: $500
COGS: $12,000
Note Payable: $1400
Contributed Capital: $100
Sales: $18000
Inventory: $200
Wages: $2000

\[ Revenue - Expenses = NI \]
\[ 18,000 - 13,600 - 2,000 = 4,000 \]
\[ Assets = Liabilities + SE \]
\[ 3000 + 500 + 200 = 300 + 1400 + 100 + RE \]
\[ 3700 = 1800 + RE \]
\[ 1900 = RE \]
\[ Beg RE + NI - Div = End RE \]
\[ 0 + 4,000 - Div = 1900 \]
\[ Div = 2,100 \]
Use the following information to determine Shareholders’ Equity:
- Cash = 13,800
- Other Investments = 101,200
- Liabilities = 69,000

\[ \text{SE} = N \]
\[ \text{Beg RE} + N1 - \text{Div} = \text{End RE} \]
\[ A = L + SE \]
\[ \text{cc} \]
\[ RE \]
\[ 13,800 + 101,200 = 69,000 + cc + 32,110 \]
\[ 115,000 = 101,110 + cc \]
\[ cc = 13,890 \]

A company had revenue of 8,000 and dividends of 400. Contributed Capital is 1,600 with
- Liabilities of 2,400 and Assets of 8,800. What were the company’s expenses for its first year of operations?

\[ A = L + SE \]
\[ 8,800 = 2,400 + 1,600 + \text{RE} \]
\[ 4,800 = \text{RE} \]
\[ \text{Beg RE} + N1 - \text{Div} = \text{End RE} \]
\[ 0 + N1 - 400 = 4,800 \]
\[ N1 = 5,200 \]
\[ \text{Rev - Exp} = N1 \]
\[ 8,000 - \text{Exp} = 5,200 \]
\[ \text{Exp} = 2,800 \]

Use the following information to determine the amount of Beginning Retained Earnings. This company does not have any contributed capital.
- Cash: 3600
- Note Payable: 1680
- Sales: 21,600
- Wages: 2400
- A/P: 360
- COGS: 14,400

\[ \text{Div} = ? \]
\[ \text{cc} = 0 \]

\[ A = L + SE \]
\[ 3,600 + 600 = 1680 + 360 + 0 + \text{RE} \]
\[ 4,200 = 2,040 + \text{RE} \]
\[ 2,160 = \text{RE} \]

\[ \text{Rev - Exp} = N1 \]
\[ 21,600 - 2,400 - 14,400 = 4,800 \]
\[ \text{Beg RE} + N1 - \text{Div} = \text{End RE} \]
\[ 0 + 4,800 - \text{Div} = 2,160 \]
\[ \text{Div} = 2,640 \]