

## EXERCISE BALANCE SHEETS

### Background

Every business transaction flows through to the balance sheet as a combination of assets, liabilities or shareholders' equity.

### Instructions

Decide what impact each transaction below would have on assets, liabilities and shareholders' equity by drawing an upward or downward arrow in the relevant columns. Add reasons for your answers in the Notes column to prepare for the discussion.

Transaction	Assets	Liabilities	Shareholders' Equity	Notes
<i>Example: Founder invests \$100,000, buying common stock.</i>	↑		↑	<i>Cash up \$100k (asset); Common stock/addl paid-in capital up \$100k (s/holders' equity)</i>
Purchase of equipment for \$74,000 financed through a bank loan.				
Payment of \$7,400 made on the bank loan.				
Payment of \$12,000 in insurance premiums in advance of the coverage.				
Raising \$8 million in capital by issuing 1 million shares of common stock at \$1 par value.				
Buy-back of 50,000 shares of common stock for \$10 per share.				