Solutions

2.1

- What came in: revenue 156,000.
- What the bread cost: 62,400, leaving gross 93,600 (60.0%).
- Running the business: 52,000 + 3,000 + 8,000 + 1,080 + 250 + 900 = 65,230.
- What was left: 93,600 − 65,230 = 28,370 ✓.

2.2

- No income-statement effect: dividends distribute profit, they are not an expense.
- Equity falls to 20,000 + 28,370 − 5,000 = 43,370.
- Cash falls 5,000; the balance sheet re-ties at both totals 63,920.

2.3

- Assets overstated by 1,080 (equipment at 6,000 not 4,920).
- Equity overstated by 1,080 (profit overstated, depreciation missed).
- The balance sheet still ties – the omission is symmetric, which is why it is caught by review, not by the tie.

3.1

- Cash: 20,000 + 25,000 + 92,000 − 9,000 − 39,000 − 33,200 − 9,600 − 7,300 = 38,900.
- Assets: 38,900 + receivables 6,000 + prepayment 8,000 + inventory 2,600 + equipment 6,875 = 62,375.
- Liabilities: wages 800 + electricity 180 + interest 1,250 + loan 25,000 = 27,230.
- Equity: 20,000 + profit 15,145 = 35,145.
- Tie: 27,230 + 35,145 = 62,375 ✓ (machine-verified).

3.2

- Every transaction is recorded as a double effect that preserves the equation, so the totals cannot drift apart.
- Profit flows into equity by definition; cash lands in assets by definition.
- The balance is an identity of the definitions – errors hide INSIDE the sides, which is why review is needed.