



SEKAEL Practice Problems

Question 1: Calculating Revenue and Profit

Cris, a skilled website developer, started a side business creating professional websites. In her first month, she completed three projects, charging **\$1,200**, **\$1,500**, and **\$950**. Her business expenses for the month, including software subscriptions and marketing, totaled **\$450**. What was her total revenue and her profit for the month?

Answer and Explanation:

1. **Calculate Total Revenue:** Revenue is the total money earned from sales before any expenses are deducted.
 - **Calculation:** $\$1,200 + \$1,500 + \$950 = \$3,650$ (**Revenue**)
2. **Calculate Profit:** Profit is what remains after subtracting expenses from revenue.
 - **Formula:** Profit = Revenue - Expenses
 - **Calculation:** $\$3,650 - \$450 = \$3,200$ (**Profit**)

Question 2: Applying the Accounting Equation

Jenelie decides to open a small shop selling healthy salads and beverages, inspired by her passion for nutritious food. She invests **\$5,000** of her own savings. She then gets a small business loan of **\$3,000** from a bank to buy equipment. After these two transactions, what are the total Assets, Liabilities, and Equity of her business?

Answer and Explanation:

1. **Identify the Initial State:** Jenelie's initial investment is her own money, which becomes the owner's Equity. The cash is an Asset.
 - Assets = \$5,000 (Cash)
 - Liabilities = \$0
 - Equity = \$5,000
2. **Account for the Loan:** The bank loan increases her cash (Asset) but also creates a debt (Liability).
 - Assets increase by \$3,000 (Cash), bringing the total to **\$8,000**.
 - Liabilities increase to **\$3,000** (Bank Loan).
 - Equity remains **\$5,000**.
3. **Check the Equation:** The accounting equation must balance.
 - **Formula:** Assets = Liabilities + Equity

- **Calculation:** $\$8,000 = \$3,000 + \$5,000$. **The equation is balanced.**

Question 3: U.S. Sales Tax Calculation

Patricia turns her hobby into a small online store selling custom press-on nail kits. She sells a popular kit for **\$35**. A customer from California, where the sales tax is 7.25%, places an order. How much does Patricia need to charge the customer in total?

Answer and Explanation:

1. **Calculate the Sales Tax Amount:** Convert the percentage to a decimal and multiply by the price.
 - **Calculation:** $\$35.00 \times 0.0725 = \2.54 (rounded to the nearest cent)
2. **Add Tax to the Original Price:**
 - **Calculation:** $\$35.00 + \$2.54 = \$37.54$ **(Total Charge)**

Question 4: Identifying Assets and Expenses

Zyrine enhances her video editing skills by purchasing two items for her freelance work: a new, high-powered computer for **\$2,500** and a one-year subscription to a video effects software for **\$300**. Which of these is an Asset and which is an Expense?

Answer and Explanation:

- The **computer (\$2,500)** is an **Asset**. It is a valuable resource the business now owns and will use for a long time (more than one year) to generate revenue.
- The **software subscription (\$300)** is an **Expense**. It is a cost incurred for a service used within a specific period (one year) to help run the business. Its value is consumed within that year.

Question 5: Philippines VAT Calculation

Cris, leveraging her experience as a Social Media Manager, offers a "Social Media Starter Pack" service to clients in the Philippines for **P5,000**. As a VAT-registered business, she must add 12% VAT to her invoice. What is the total amount she must bill her client?

Answer and Explanation:

1. **Calculate the VAT Amount:**
 - **Calculation:** $P5,000 \times 0.12 = P600$
2. **Add VAT to the Service Price:**
 - **Calculation:** $P5,000 + P600 = P5,600$ **(Total Invoice Amount)**

Question 6: Understanding the Core Functions

Jenelie loves gardening. At the end of each month for her gardening supply business, she does three things:

1. She adds up all the sales of flowers and plants.
2. She creates an Income Statement to see if she made a profit.
3. She logs every sale and payment in a notebook as it happens.

Match each action with one of the three core functions of accounting: **Recording, Organizing, or Reporting**.

Answer and Explanation:

- **Action 3 (Logging every sale) is Recording.** This is the initial step of entering daily transactions.
- **Action 1 (Adding up sales) is Organizing.** This involves summarizing the recorded data into meaningful categories (e.g., total sales).
- **Action 2 (Creating an Income Statement) is Reporting.** This is the final step of communicating the financial information in a standardized format.

Question 7: Solving for a Missing Part of the Equation

Patricia's eBook ghostwriting business has Assets totaling **\$12,500**. She knows that her owner's Equity (her stake in the business) is **\$9,000**. What is the total amount of her business's Liabilities?

Answer and Explanation:

1. **Start with the Accounting Equation:**
 - $\text{Assets} = \text{Liabilities} + \text{Equity}$
2. **Rearrange the formula to solve for Liabilities:**
 - $\text{Liabilities} = \text{Assets} - \text{Equity}$
3. **Calculate the amount:**
 - **Calculation:** $\$12,500 - \$9,000 = \$3,500$ (Liabilities)

Question 8: Calculating Profit Margin

Zyrine's template editing service had a successful quarter. Total revenue was **\$8,000**. The total expenses, including software and internet bills, were **\$2,000**. What was her profit margin?

Answer and Explanation:

1. **First, calculate the profit:**
 - **Calculation:** $\$8,000$ (Revenue) - $\$2,000$ (Expenses) = $\$6,000$ (Profit)
2. **Next, calculate the profit margin:**
 - **Formula:** $(\text{Profit} \div \text{Revenue}) \times 100$
 - **Calculation:** $(\$6,000 \div \$8,000) = 0.75$

- **Convert to Percentage:** $0.75 \times 100 = 75\%$ (**Profit Margin**)
- This means that for every dollar of revenue Zyrine earned, 75 cents was pure profit.

Question 9: Analyzing a Transaction's Effect

Cris uses **\$300** of her business's cash to buy a new office chair for her workspace. How does this transaction affect the accounting equation? Does it go out of balance?

Answer and Explanation:

This transaction is a swap of one asset for another.

- **Assets (Cash)** decreases by \$300.
- **Assets (Equipment/Office Furniture)** increases by \$300.
- **Liabilities and Equity** are unchanged.

The total amount of Assets does not change, so the equation **remains in balance**.

Question 10: Japan Consumption Tax

Inspired by her love for J-dramas, **Jenelie** imports and sells a special type of tea from Japan. She sells a box for **¥3,000** (Japanese Yen). Japan's consumption tax is 10%. What is the total price she charges a customer in Japan?

Answer and Explanation:

1. **Calculate the Consumption Tax Amount:**
 - **Calculation:** $¥3,000 \times 0.10 = ¥300$
2. **Add the Tax to the Original Price:**
 - **Calculation:** $¥3,000 + ¥300 = ¥3,300$ (**Total Price**)