

WORLD MISSION HIGH SCHOOL

TRADE:ICT&MULTMEDIA

LEVEL:LEVEL 3 ALL

MODULE TITLE:BUSINESS CREATION

DATE:16/01/2026

BUSINESS CREATION HOME WORK

Q1.A small shop has the following at the end of the year:

Cash: \$4,000

Inventory: \$6,000

Equipment: \$10,000

Accounts Payable: \$5,000

Loan: \$7,000

Questions:

- 1.Calculate the **total assets**.
- 2.Calculate the **total liabilities**.
- 3.Determine the **owner's equity**.
- 4.Is the business financially stable? Give one reason.
- 5.What could the owner do to improve equity?

Q2.A company bought new machinery worth \$8,000 by taking a bank loan.

Questions:1.Which balance sheet items will increase?

- 2.How does this transaction affect total assets?
- 3.How does it affect liabilities?
- 4.Does owner's equity change? Explain.
- 5.Is this a good decision in the long term? Why or why not?

Q3.The owner withdrew \$3,000 for personal use.

Questions:1.Which balance sheet accounts are affected?

2.How does this affect owner's equity?

3.Why is excessive withdrawal dangerous?

4.How can this impact the future of the business?

5.What advice would you give the owner?

Q4.A mobile app company has:

- Computers and office furniture worth \$20,000
- A patented software algorithm
- Strong user data and brand reputation

Questions:1.Classify the assets into tangible and intangible.

2.Which assets are more valuable to this business? Why?

3.Why might the balance sheet undervalue this company?

4.What risks are associated with intangible assets?

5.How can the company protect its intangible assets?

Q5.A company plans to buy another firm. Most of the purchase price is for **goodwill**.

Questions:1.What does goodwill represent?

2.Why is goodwill considered an intangible asset?

3.What risks are associated with paying too much for goodwill?

4.How is goodwill treated in the balance sheet?

5.Should investors be cautious? Explain