Balancing NW and NI Equations

Name: _____ **Date:** _____

Directions: Show all your work and when possible show a check.

Net Worth Accounting Equation: NW = A – L

Formula Key:

- NW = Net Worth
- A = Assets
- L = Liabilities

1. Neville has a net worth of $1,000. He has $300 in liabilities. Assuming his liabilities do not change, what would happen to his assets if his net worth increased to $1,100?

2. Cornelius has a net worth of $750. Assuming the value of his assets do not change, what will happen to his net worth if he decreases his liabilities by $25? What will his new net worth be?

3. Alastor has a net worth of $2000:

a. If his liabilities stay the same but his net worth increases to $2,500, what must have happened to the value of his assets?

b. If his assets stay the same, but his net worth increases to $2,500, what must have happened to the value of his liabilities?

c. If Alastor's net worth remains the same but the value of his assets increases by $200, what must have happened to the value of his liabilities?

Net Income Accounting Equation: NI = I – E

- NI = Net Income
- I = Gross income
- E = Expenses

4. Myrtle earns a net income of $500 maintaining the bathroom at school. Assuming her income doesn't change, what will happen to her net income if her expenses go down by $75? What will her new net income be?

5. Ms. Sprout is a professor of herbal medicine. She has a net income of $20,000. If her expenses never change, what must have happened to her income if her net income decreases to $17,000?

6. Professor McGongall's net income increased by $100 last year even though her wages from her job as a professor (her only source of income) went down. How is this possible?