

Solution:

(1)

The income statement is prepared below, with the changes in retained earnings also included in it.

STATEMENT OF INCOME CUM RETAINED EARNINGS
(Amounts in \$)

Name: Ludmillia Corporation

As Of: 2012

Particulars	Amounts
INCOME:	
Sales	285,000
Cost of Goods Sold	(157,000)
Net Operating Income (Loss)	128,000
Other revenues (expenses):	
Salaries & Wages	(86,000)
Rent	(17,500)
Advertisements	(9,300)
Insurance	(1,000)
Depreciation	(5,000)
Other utility expenses	(6,200)
Total other revenues (expenses)	(125,000)
Net Income (Loss)	3,000
RETAINED EARNINGS:	
Retained Earnings as of January 1, 2012	18,000
Add: Net Income	3,000
Less: Dividends Declared	(4,000)
Retained Earnings as of December 21, 2012	17,000

(2)

The balance sheet is as follows:

CLASSIFIED & CONSOLIDATED BALANCE SHEET
(Amount in \$)

Name: Ludmillia Corporation

As Of: December 31, 2012

Particulars	Amount
ASSETS:	
Cash	14,800
Accounts Receivables	32,400
Merchandise Inventory	61,000
Office Supplies Inventory	800
Trucks	28,700
Notes Receivables	2,500
Unexpired Insurance	800
Unexpired Rent	2,000
Total assets	143,000
LIABILITIES:	
Accounts Payable	14,000
Notes Payable	8,000
Dividends Payable	4,000
Total liabilities	26,000
STOCKHOLDERS' EQUITY:	
Paid in Capital	100,000
Retained Earnings as of June 30, 2010	17,000
Total Stockholders' equity	117,000
Total liabilities & stockholders' equity	143,000