

Q1. Matching Financial Statement Items to Financial Statement Categories

According to its annual report, P&G's billion-dollar brands include Pampers, Tide, Ariel, Always, Pantene, Bounty, Charmin, Downy, Olay, Crest, Vicks, Gillette, Duracell, and others. The following are items taken from its recent balance sheet and income statement. Note that different companies use slightly different titles for the same item. Mark each item in the following list as an asset (A), liability (L), or stockholders' equity (SE) item that would appear on the balance sheet or a revenue (R) or expense (E) item that would appear on the income statement.

- _____ (1) Accounts receivable
- _____ (2) Cash and cash equivalents
- _____ (3) Net sales
- _____ (4) Debt due within one year
- _____ (5) Taxes payable
- _____ (6) Retained earnings
- _____ (7) Cost of products sold
- _____ (8) Selling, general and administrative expense
- _____ (9) Income taxes
- _____ (10) Accounts payable
- _____ (11) Trademarks and other intangible assets
- _____ (12) Property, plant, and equipment
- _____ (13) Long-term debt
- _____ (14) Inventories
- _____ (15) Interest expense

Q2. Completing a Balance Sheet and Inferring Net Income

Carlos Ramirez and Camila Garza organized New World Book Store as a corporation; each contributed \$80,000 cash to start the business and received 4,000 shares of common stock. The store completed its first year of operations on December 31, current year. On that date, the following financial items for the year were determined:

- 1) December 31, current year, cash on hand and in the bank, \$75,600;
- 2) December 31, current year, amounts due from customers from sales of books, \$39,000;
- 3) unused portion of store and office equipment, \$73,000;
- 4) December 31, current year, amounts owed to publishers for books purchased, \$12,000;
- 5) one-year note payable to a local bank for \$3,000.
- 6) No dividends were declared or paid to the stockholders during the year.

Required:

1. Complete the following balance sheet as of the end of the current year.
2. What was the amount of net income for the year? (Hint: Use the retained earnings equation [Beginning Retained Earnings + Net Income – Dividends = Ending Retained Earnings] to solve for net income.)

ASSETS		LIABILITIES	
Cash	\$	Accounts payable	\$
Accounts receivable		Note payable	
Store and office equipment		Interest payable	300
		Total liabilities	\$
		STOCKHOLDERS' EQUITY	
		Common stock	
		Retained earnings	12300
		Total stockholders' equity	
Total assets		Total liabilities and stockholders' equity	
	\$		\$

Q3. Preparing an Income Statement and Balance Sheet

Painter Corporation was organized by five individuals on January 1 of the current year. At the end of January of the current year, the following monthly financial data are available:

Total revenues	\$305,000
Total expenses (excluding income taxes)	189,000
Income tax expense (all unpaid as of January 31)	35,000
Cash balance, January 31	65,150
Receivables from customers (all considered collectible)	44,700
Merchandise inventory (by inventory count at cost)	94,500
Payables to suppliers for merchandise purchased from them (will be paid during February of the current year)	25,950
Common stock	62,400

No dividends were declared or paid during January.

Required:

Complete the following two statements:

PAINTER CORPORATION
Income Statement
For the Month of January, Current Year

Total revenues	\$ _____
Less: Total expenses (excluding income tax)	_____
Pretax income	_____
Less: Income tax expense	_____
Net income	\$ _____

PAINTER CORPORATION
Balance Sheet
At January 31, Current Year

Assets	
Cash	\$ _____
Receivables from customers	_____
Merchandise inventory	_____
Total assets	_____
Liabilities	
Payables to suppliers	\$ _____
Income taxes payable	_____
Total liabilities	_____

Stockholders' Equity	
Common stock	<hr/>
Retained earnings	<hr/>
Total stockholders' equity	<hr/>
Total liabilities and stockholders' equity	<hr/> <hr/> <div>\$</div>

Q4. Preparing a Statement of Stockholders' Equity

Clint's Stonework Corporation was organized on January 1, 2015. For its first two years of operations, it reported the following:

Net income for 2015	\$31,000
Net income for 2016	42,000
Dividends for 2015	14,200
Dividends for 2016	18,700
Total assets at the end of 2015	130,000
Total assets at the end of 2016	250,000
Common stock at the end of 2015	100,000
Common stock at the end of 2016	100,000

Required:

On the basis of the data given, prepare a statement of stockholders' equity for 2016. Show computations.