

P28 E1-2

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

P29 E1-5

Req. 1

NEW WORLD BOOK STORE
Balance Sheet
At December 31, Current Year

ASSETS

Cash	\$75,600
Accounts receivable	39,000
Store and office equipment	<u>73,000</u>

LIABILITIES

Accounts payable	\$12,000
Note payable	3,000
Interest payable	<u>300</u>
Total liabilities	<u>15,300</u>

STOCKHOLDERS' EQUITY

Common stock	160,000
Retained earnings	<u>12,300</u>
Total stockholders' equity	<u>172,300</u>

Total assets \$187,600

Total liabilities and stockholders' equity \$187,600

Req. 2

Net income for the year was \$12,300. This is the first year of operations and no dividends were declared or paid to stockholders; therefore, the ending retained earnings of \$12,300 includes net income for one year.

PAINTER CORPORATION

Income Statement

For the Month of January Current Year

Total revenues	\$ 305,000
Less: Total expenses (excluding income tax)	<u>189,000</u>
Pretax income	116,000
Less: Income tax expense	<u>35,000</u>
Net income	<u><u>\$ 81,000</u></u>

PAINTER CORPORATION

Balance Sheet

At January 31, Current Year

Assets	
Cash	\$ 65,150
Receivables from customers	44,700
Merchandise inventory	<u>94,500</u>
Total assets	<u><u>\$204,350</u></u>
Liabilities	
Payables to suppliers	\$25,950
Income taxes payable	<u>35,000</u>
Total liabilities	<u>60,950</u>
Stockholders' Equity	
Common stock (2,600 shares)	62,400
Retained earnings (<i>from income statement above</i>)	<u>81,000</u>
Total stockholders' equity	<u>143,400</u>
Total liabilities and stockholders' equity	<u><u>\$204,350</u></u>

CLINT'S STONEWORK CORPORATION
Statement of Stockholders' Equity
For the Year Ended December 31, 2016

	<u>Common Stock</u>	<u>Retained Earnings</u>
Balance December 31, 2015*	\$100,000	\$16,800
Net income		42,000
Dividends	<u> </u>	<u>(18,700)</u>
Balance December 31, 2016	<u>\$100,000</u>	<u>\$40,100</u>

* Beginning retained earnings + Net income – Dividends = Ending retained earnings

For 2015: \$0 + 31,000 – 14,200 = \$16,800;

Ending retained earnings for 2015 becomes beginning retained earnings for 2016.