**Chapter 3**

**Balance Sheet**

**Problem 1:** Typical balance sheet classifications are as follows.

a. Current Assets g. Long-Term Liabilities

b. Investments h. Capital Stock

c. Plant Assets i. Additional Paid-In Capital

d. Intangible Assets j. Retained Earnings

e. Other Assets k. Notes to Financial Statements

f. Current Liabilities l. Not Reported on Balance Sheet

Indicate by use of the above letters how each of the following items would be classified on a balance sheet prepared at December 31, 2011. If a contra account, or any amount that is negative or opposite the normal balance, put parentheses around the letter selected. A letter may be used more than once or not at all.

16. Natural resource—timberlands

17. Deficit (no net income earned since beginning of company)

18. Goodwill

19. 90 day notes payable

20. Investment in bonds of another company; will be held to 2014 maturity

21. Land held for speculation

22. Death of company president

23. Current maturity of bonds payable

24. Investment in subsidiary; no plans to sell in near future

25. Trade accounts payable

26. Preferred stock ($10 par)

27. Prepaid rent for next 12 months

28. Copyright

29. Accumulated amortization, patents

30. Earnings not distributed to stockholders

1. Accrued salaries and wages

2. Rental revenues for 3 months collected in advance

3. Land used as plant site

4. Equity securities classified as trading

5. Cash

6. Accrued interest payable due in 30 days

7. Premium on preferred stock issued

8. Dividends in arrears on preferred

stock

9. Petty cash fund

10. Unamortized discount on bonds payable due 2013

11. Common stock at par value

12. Bond indenture covenants

13. Unamortized premium on bonds payable due in 2013

14. Allowance for doubtful accounts

15. Accumulated depreciation

**Problem 2:** The following balance sheet was prepared by the bookkeeper for Perry Company as of December 31, 2011.

Perry Company

Balance Sheet

as of December 31, 2011

Cash $ 80,000 Accounts payable $ 75,000

Accounts receivable (net) 52,200 Long-term liabilities 100,000

Inventories 57,000 Stockholders' equity 218,500

Investments 76,300

Equipment (net) 96,000

Patents 32,000

$393,500 $393,500

The following additional information is provided:

1. Cash includes the cash surrender value of a life insurance policy $9,400, and a bank overdraft of $2,500 has been deducted.

2. The net accounts receivable balance includes:

(a) accounts receivable—debit balances $60,000;

(b) accounts receivable—credit balances $4,000;

(c) allowance for doubtful accounts $3,800.

3. Inventories do not include goods costing $3,000 shipped out on consignment. Receivables of $3,000 were recorded on these goods.

4. Investments include investments in common stock, trading $19,000 and available-for-sale $48,300, and franchises $9,000.

5. Equipment costing $5,000 with accumulated depreciation $4,000 is no longer used and is held for sale. Accumulated depreciation on the other equipment is $40,000.

**Instructions**

Prepare a balance sheet in good form (stockholders' equity details can be omitted.)

##### Solution 1

1. f 6. f 11. h 16. c 21. b 26. h

2. f 7. i 12. k 17. (j) 22. l 27. a

3. c 8. k 13. g 18. d 23. f 28. d

4. a 9. a 14. (a) 19. f 24. b 29. (d)

5. a 10. (g) 15. (c) 20. b 25. f 30. j

##### Solution 2

Perry Company

Balance Sheet

As of December 31, 2011

Assets

Current assets

Cash $ 73,100 (1)

Trading securities 19,000

Accounts receivable $ 57,000 (2)

Less: Allowance for doubtful accounts 3,800 53,200

Inventories 60,000 (3)

\*Equipment held for sale 1,000 (4)

Total current assets 206,300

Investments

Available-for-sale securities 48,300

Cash surrender value 9,400 57,700

Property, plant, and equipment

Equipment 135,000 (5)

Less accumulated depreciation 40,000 95,000

Intangible assets

Patents 32,000

Franchises 9,000 41,000

Total assets $400,000

Liabilities and Stockholders' Equity

Current liabilities

Accounts payable $ 79,000 (6)

Bank overdraft 2,500

Total current liabilities 81,500

Long-term liabilities 100,000

Total liabilities 181,500

Stockholders' equity 218,500

Total liabilities and stockholders' equity $400,000

(1) ($80,000 – $9,400 + $2,500)

(2) ($60,000 – $3,000)

(3) ($57,000 + $3,000)

(4) ($5,000 – $4,000)

(5) ($96,000 + $40,000 – $5,000 + $4,000)

(6) ($75,000 + $4,000)

\*An alternative is to show it as an other asset.