**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.