

Presented below are items from Braun Company for the year ended December 31, 2019

|                                  |         |                                       |         |
|----------------------------------|---------|---------------------------------------|---------|
| Gain from extinguishment of debt | 40000   | Loss from abandonment of plant assets | 50000   |
| Cost of goods sold               | 1200000 | Selling expenses                      | 250000  |
| Interest revenue                 | 30000   | Sales revenue                         | 3000000 |
| Administrative expenses          | 200000  | Gain on discontinued operation        | 60000   |
| Loss from earthquake             | 35000   |                                       |         |

**Requirement :** Using the information above, prepare a multiple-step income statement, and calculate Earnings per share.

Assume a tax rate of 30% and 100,000 shares of common stock outstanding during 2019.

|   |         |               |
|---|---------|---------------|
| Sales revenue                                       |         | 3000000       |
| - Cost of goods sold                                |         | (1200000)     |
| Gross profit  |         | 1800000       |
| <b><u>-Operating expenses</u></b>                   |         |               |
| - Selling expenses                                  | 250000  |               |
| Administrative expense                              | 200000  | (450000)      |
| Operating income                                    |         | 1350000       |
| <b><u>+ Other gains</u></b>                         |         |               |
| Interest revenue                                    | 30000   |               |
| Gain on debt extinguishment                         | 40000   | 70000         |
| <b><u>- Other losses</u></b>                        |         |               |
| Loss from plant abandonment                         | 50000   | (50000)       |
| Income from continuing operations before income tax |         | 1370000       |
| -Income tax expense (30%)                           |         | (411000)      |
| Income from continuing operations                   |         | 959000        |
| <b><u>Discontinued operations, net of tax</u></b>   |         |               |
| Gain on discontinued operation                      | 60000   |               |
| <b>Loss: Applicable Income tax</b>                  | (18000) | 42000         |
| Income before extraordinary items                   |         | 1001000       |
| Extraordinary loss, net of tax (35000-10500)        |         | (24500)       |
| Net Income  |         | <u>976500</u> |
| Earnings per share (976500÷100000)                  |         | <u>9.77</u>   |

The following information taken from the records of X company at December 31, 2021

|                                 |         |                                       |        |
|---------------------------------|---------|---------------------------------------|--------|
| Sales                           | 3100000 | Office salaries                       | 35000  |
| Common Stock                    | 1000000 | Administrative Utilities expense      | 5000   |
| Cost of goods sold              | 1500000 | Dividends                             | 600000 |
| Sales returns and allowance     | 75000   | Depreciation of sales equipment       | 8000   |
| Sales discounts                 | 25000   | Interest Revenue                      | 20000  |
| Sales salaries                  | 55000   | Loss from plant abandonment           | 10000  |
| Advertising expense             | 30000   | Interest expense                      | 20000  |
| Delivery expense                | 18000   | Telephone expense of sales department | 10000  |
| Insurance expense               | 10000   | Legal and professional services       | 15000  |
| Loss on discontinued operations | 15000   | Depreciation of office equipment      | 10000  |

The tax rate 30%. The company issued 56000 shares of common stock, and held 6000 shares as treasury stock during 2020, Beginning Retained earnings was \$400000

**Requirements:** 1. Prepare Multi-Step income statement for the fiscal year ended December 31, 2020, and calculate the earnings per share 2. Calculate the Ending balance of Retained earnings

#### Income Statement for the year ended December 31, 2017

|                                       |       |        |           |
|---------------------------------------|-------|--------|-----------|
| Sales revenue                         |       |        | 3100000   |
| <b>Less:</b> sales discounts          |       | 25000  |           |
| Sales returns and allowances          |       | 75000  | (100000)  |
| Net sales                             |       |        | 3000000   |
| - Cost of goods sold                  |       |        | (1500000) |
| Gross profit                          |       |        | 1500000   |
| <b><u>Operating Expenses:</u></b>     |       |        |           |
| <b><u>Selling expenses</u></b>        |       |        |           |
| Sales salaries                        | 55000 |        |           |
| Advertising expense                   | 30000 |        |           |
| Delivery expense                      | 18000 |        |           |
| Depreciation of sales equipment       | 8000  |        |           |
| Telephone                             | 10000 | 121000 |           |
| <b><u>Administrative expenses</u></b> |       |        |           |
| Officers' salaries                    | 35000 |        |           |
| Legal and professional services       | 15000 |        |           |
| Administrative Utilities expense      | 5000  |        |           |

|  |       |         |                      |
|--|-------|---------|----------------------|
| Insurance expense                            | 10000 |         |                      |
| Depreciation of office equipment             | 10000 | 75000   | (196000)             |
| Income from operations                       |       |         | 1304000              |
| <b>+ other revenues and gains</b>            |       |         |                      |
| Interest revenue                             |       | 20000   |                      |
| <b>- Other expenses and losses</b>           |       |         |                      |
| Interest expense                             | 20000 |         |                      |
| Loss from plant abandonment                  | 10000 | (30000) | (10000)              |
| Income before income tax                     |       |         | 1294000              |
| Income tax                                   |       |         | (388200)             |
|  |       |         | 905800               |
| -Loss on discontinued operations, net of tax |       |         | (10500)              |
| (15000-(15000*30%))                          |       |         |                      |
|  |       |         | <b><u>895300</u></b> |
| Earnings per share                           |       |         | <b><u>17.906</u></b> |

#### Retained earnings

|                                      |                      |
|--------------------------------------|----------------------|
| Retained earnings                    | 400000               |
| + net income                         | 895300               |
| - Dividends                          | (600000)             |
| Retained earnings, December 31, 2018 | <b><u>695300</u></b> |

The following accounts and their balances were given for X company

|                             |          |                                    |          |
|-----------------------------|----------|------------------------------------|----------|
| Retained earnings           | \$147000 | Common stock                       | \$255000 |
| Inventory                   | 105000   | Dividends payable                  | 3000     |
| Cash                        | 70000    | Accounts payable                   | 30000    |
| Prepaid expenses            | 15000    | Preferred stock                    | 60000    |
| Goodwill                    | 62000    | Accounts receivable, net           | 106000   |
| Accrued liabilities payable | 16000    | Property, Plant and equipment, net | 284000   |
| Long-term note payable      | 102000   | Short term note payable            | 12000    |
| Treasury stock              | 3000     | Unearned revenue                   | 10000    |
| Bond payable                | 15000    | copyrights                         | 5000     |

**Requirement:** Prepare the company's classified balance sheet at December 31, 2020

| Asset                              | Liabilities |  |              |
|------------------------------------|-------------|--|--------------|
| <b><u>Current assets:</u></b>      |             | <b><u>Current liabilities:</u></b>         |              |
| Cash                               | 70000       | Accounting payable                         | 30000        |
| Accounts receivable, net           | 106000      | Accrued liabilities payable                | 16000        |
| Inventory                          | 105000      | Dividends payable                          | 3000         |
| Prepaid expenses                   | 15000       | Short time note payable                    | 12000        |
|                                    |             | Unearned revenue                           | 10000        |
| Total current assets               | 286000      | Total current liabilities                  | 71000        |
|                                    |             | Long-term note payable                     | 102000       |
|                                    |             | Bond payable                               | <b>15000</b> |
|                                    |             | Long term Liabilities                      | 117000       |
| Property, plant and equipment, net | 284000      | Total liabilities                          |              |
|                                    |             | <b>Stockholders' Equity</b>                |              |
| <b><u>Intangible assets:</u></b>   |             | Preferred stock                            | 60000        |
| Goodwill                           | 62000       | Common stock                               | 255000       |
| Copyrights                         | <b>5000</b> | -treasury stock                            | (3000)       |
|                                    |             | Retained earnings                          | 147000       |
|                                    |             | Total stockholders' equity                 | 459000       |
| Total assets                       | 637000      | Total liabilities and stockholders' equity | 647000       |

The following accounts and their balances were given for X company

|                         |        |                                    |        |
|-------------------------|--------|------------------------------------|--------|
| Retained earnings       | 300000 | Accrued liabilities payable        | 16000  |
| Inventory               | 210000 | Prepaid expenses                   | 30000  |
| Cash                    | 96000  | Accounts payable                   | 60000  |
| Short term note payable | 28000  | Preferred stock                    | 120000 |
| Dividends payable       | 6000   | Accounts receivable, net           | 212000 |
| Long-term note payable  | 210000 | Property, Plant and equipment, net | 568000 |
| Common stock            | 500000 | Goodwill                           | 124000 |

**Requirement:** Prepare the company's classified balance sheet at December 31, 2020

| <u>Current assets:</u>        |        |         | <u>Current liabilities:</u>                |        |         |
|-------------------------------|--------|---------|--|--------|---------|
| Cash                          | 96000  |         | Accounting payable                         | 60000  |         |
| Accounts receivable, net      | 212000 |         | Accrued liabilities payable                | 16000  |         |
| Inventory                     | 210000 |         | Dividends payable                          | 6000   |         |
| Prepaid expenses              | 30000  |         | Short time note payable                    | 28000  |         |
| Total current assets          |        | 548000  | Total current liabilities                  |        | 110000  |
|                               |        |         | Long- term note payable                    |        | 210000  |
| Property, plant and equipment |        | 568000  | Total liabilities                          |        | 320000  |
|                               |        |         | <b>Stockholders' Equity</b>                |        |         |
| <b>Intangible assets:</b>     |        |         | Preferred stock                            | 120000 |         |
| Goodwill                      |        | 124000  | Common stock                               | 500000 |         |
|                               |        |         | Retained earnings                          | 300000 |         |
|                               |        |         | Total stockholders' equity                 |        | 920000  |
| Total assets                  |        | 1240000 | Total liabilities and stockholders' equity |        | 1240000 |

**Instruction:** Prepare a classified balance sheet in good form (No monetary amounts are necessary)

Assume that Sanchez Company has the following accounts at the end of the current year:

|   |  |
|---|--|
| 1. Common Stock                           | 13. Salaries and Wages Payable                           |
| 2. Discount on Bonds Payable              | 14. Accumulated Depreciation- Buildings                  |
| 3. Treasury Stock (at cost)               | 15. Cash Restricted for Plant Expansion                  |
| 4. Notes Payable (short term)             | 16. Land Held for Future Plant Site                      |
| 5. Raw Materials                          | 17. Allowance for Doubtful Accounts- Accounts Receivable |
| 6. Preferred Stock Investment (Long term) | 18. Retained Earnings                                    |
| 7. Unearned Rent Revenue                  | 19. Paid in Capital in Excess of Par- Common Stock       |
| 8. Work in Process                        | 20. Unearned Subscriptions Revenue                       |
| 9. Copyrights                             | 21. Receivables- Officers (due in one year)              |
| 10. Buildings                             | 22. Finished Goods                                       |
| 11. Notes Receivable (short term)         | 23. Accounts Receivable                                  |
| 12. Cash                                  | 24. Bonds Payable (due in 4 years)                       |
|   | 25. accumulated Other Comprehensive Income               |

#### Balance sheet

| Assets  | Liabilities and stockholders' equity |  |
|---|--------------------------------------|--|
| <u>Current assets</u>                           | <u>Current liabilities</u>           |  |
| Cash (less cash restricted for plant expansion) | Salaries and wages payable           |  |
| Accounts receivable                             | Notes payable (short term)           |  |
| Less: Allowance for doubtful accounts           | Unearned subscriptions revenue       |  |
| Notes receivable                                | Unearned rent revenue                |  |
| Receivable-officers                             | Total current liabilities            |  |
| <u>Inventory</u>                                | <u>Long term debt</u>                |  |
| Finished goods                                  | Bonds payable (due in four years)    |  |
| Work in process                                 | -discount on bonds payable           |  |
| Raw materials                                   | Total liabilities                    |  |
| Total current assets                            | <u>Stockholders' equity</u>          |  |
| <u>Long term investments:</u>                   | <u>Capital stock:</u>                |  |
| Preferred stock investments                     | Common stock                         |  |
| Land held for future plant site                 | <u>Additional paid in capital:</u>   |  |

|  |  |   |      |
|--|--|---|------|
| Cash restricted for plant expansion          |  | Paid in capital in excess of par-common stock     |      |
| Total long-term investments                  |  | Total paid in capital                             |      |
| <b><u>Property, plant, and equipment</u></b> |  | Retained earnings                                 |      |
| Buildings                                    |  | Accumulated other comprehensive income            |      |
| Less: Accumulated depreciation-buildings     |  | Treasury stock (at cost)                          | (xx) |
| <b><u>Intangible assets</u></b>              |  | Total equity attributable to Sanchez shareholders |      |
| Copyrights                                   |  | Equity attributable to noncontrolling interest    |      |
| Total assets                                 |  | Total liabilities and stockholders' equity        |      |

**BE5-1** Harding Corporation has the following accounts included in its December 31, 2014, trial balance: Accounts Receivable \$110,000; Inventory \$290,000; Allowance for Doubtful Accounts \$8,000; Patents \$72,000; Prepaid Insurance \$9,500; Accounts Payable \$77,000; Cash \$30,000. Prepare the current assets section of the balance sheet, listing the accounts in proper sequence.

**Current assets**

|   |           |                  |
|---|-----------|------------------|
| Cash.....                                   |           | \$ 30,000        |
| Accounts receivable .....                   | \$110,000 |                  |
| Less: Allowance for doubtful accounts ..... | 8,000     | 102,000          |
| Inventory.....                              |           | 290,000          |
| Prepaid insurance.....                      |           | 9,500            |
| <b>Total current assets .....</b>           |           | <b>\$431,500</b> |

**BE5-2** Koch Corporation's adjusted trial balance contained the following asset accounts at December 31, 2014: Cash \$7,000; Land \$40,000; Patents \$12,500; Accounts Receivable \$90,000; Prepaid Insurance \$5,200; Inventory \$30,000; Allowance for Doubtful Accounts \$4,000; Equity Investments (trading) \$11,000. Prepare the current assets section of the balance sheet, listing the accounts in proper sequence.

**Current assets**

|   |          |                  |
|---|----------|------------------|
| Cash.....                                   |          | \$ 7,000         |
| Equity Investments (Trading).....           |          | 11,000           |
| Accounts receivable .....                   | \$90,000 |                  |
| Less: Allowance for doubtful accounts ..... | 4,000    | 86,000           |
| Inventory.....                              |          | 30,000           |
| Prepaid insurance .....                     |          | 5,200            |
| <b>Total current assets.....</b>            |          | <b>\$139,200</b> |

**BE5-3** Included in Outkast Company's December 31, 2014, trial balance are the following accounts: Prepaid Rent \$5,200; Debt Investments (trading) \$56,000; Unearned Fees \$17,000; Land (held for investment) \$39,000; Notes Receivable (long-term) \$42,000. Prepare the long-term investments section of the balance sheet.

Long-term investments

|                                    |                  |
|------------------------------------|------------------|
| Debt investments.....              | \$ 56,000        |
| Land held for investment.....      | 39,000           |
| Note receivables (long-term) ..... | <u>42,000</u>    |
| Total investments.....             | <u>\$137,000</u> |

**BE5-4** Lowell Company's December 31, 2014, trial balance includes the following accounts: Inventory \$120,000; Buildings \$207,000; Accumulated Depreciation—Equipment \$19,000; Equipment \$190,000; Land (held for investment) \$46,000; Accumulated Depreciation—Buildings \$45,000; Land \$71,000; Timberland \$70,000. Prepare **the property, plant, and equipment** section of the balance sheet.

Property, plant, and equipment

|   |                       |
|---|-----------------------|
| Land.....                                 | \$ 71,000             |
| Buildings .....                           | \$207,000             |
| Less: Accumulated depreciation .....      | <u>45,000</u> 162,000 |
| Equipment .....                           | \$190,000             |
| Less: Accumulated depreciation .....      | <u>19,000</u> 171,000 |
| Timberland .....                          | <u>70,000</u>         |
| Total property, plant, and equipment..... | <u>\$474,000</u>      |

**BE5-5** Crane Corporation has the following accounts included in its December 31, 2014, trial balance: Equity Investments (trading) \$21,000; Goodwill \$150,000; Prepaid Insurance \$12,000; Patents \$220,000; Franchises \$130,000. Prepare the intangible assets section of the balance sheet.

Intangible assets

|                              |                  |
|------------------------------|------------------|
| Goodwill.....                | \$150,000        |
| Patents.....                 | 220,000          |
| Franchises .....             | <u>130,000</u>   |
| Total intangible assets..... | <u>\$500,000</u> |

**BE5-6** Patrick Corporation's adjusted trial balance contained the following asset accounts at December 31, 2014: Prepaid Rent \$12,000; Goodwill \$50,000; Franchise Fees Receivable \$2,000; Franchises \$47,000; Patents \$33,000; Trademarks \$10,000. Prepare the intangible assets section of the balance sheet.

Intangible assets

|                              |                  |
|------------------------------|------------------|
| Goodwill.....                | \$ 50,000        |
| Franchises .....             | 47,000           |
| Patents.....                 | 33,000           |
| Trademarks.....              | <u>10,000</u>    |
| Total intangible assets..... | <u>\$140,000</u> |

**BE5-7** Thomas Corporation's adjusted trial balance contained the following liability accounts at December 31, 2014: Bonds Payable (due in 3 years) \$100,000; Accounts Payable \$72,000; Notes Payable (due in 90 days) \$22,500; Salaries and Wages Payable \$4,000; Income Taxes Payable \$7,000. Prepare the current liabilities section of the balance sheet.

Current liabilities

|                                 |                  |
|---------------------------------|------------------|
| Notes payable.....              | \$ 22,500        |
| Accounts payable.....           | 72,000           |
| Salaries and wages payable..... | 4,000            |
| Income taxes payable .....      | <u>7,000</u>     |
| Total current liabilities.....  | <u>\$105,500</u> |

**BE5-8** Included in Adams Company's December 31, 2014, trial balance are the following accounts: Accounts Payable \$220,000; Pension Liability \$375,000; Discount on Bonds Payable \$29,000; Unearned Rent Revenue \$41,000; Bonds Payable \$400,000; Salaries and Wages Payable \$27,000; Interest Payable \$12,000; Income Taxes Payable \$29,000. Prepare the current liabilities section of the balance sheet.

Current liabilities

|                                 |                  |
|---------------------------------|------------------|
| Accounts payable.....           | \$220,000        |
| Unearned rent revenue .....     | 41,000           |
| Salaries and wages payable..... | 27,000           |
| Interest payable .....          | 12,000           |
| Income tax payable .....        | <u>29,000</u>    |
| Total current liabilities.....  | <u>\$329,000</u> |

**BE5-9** Use the information presented in BE5-8 for Adams Company to prepare the long-term liabilities section of the balance sheet.

Long-term liabilities

|                                       |               |                  |
|---------------------------------------|---------------|------------------|
| Bonds payable .....                   | \$400,000     |                  |
| Less: Discount on bonds payable ..... | <u>29,000</u> | \$371,000        |
| Pension liability .....               |               | <u>375,000</u>   |
| Total long-term liabilities .....     |               | <u>\$746,000</u> |

**BE5-10** Hawthorn Corporation's adjusted trial balance contained the following accounts at December 31, 2014: Retained Earnings \$120,000; Common Stock \$750,000; Bonds Payable \$100,000; Paid-in Capital in Excess of Par—Common Stock \$200,000; Goodwill \$55,000; Accumulated Other Comprehensive Loss \$150,000; Noncontrolling Interest \$35,000. Prepare the stockholders' equity section of the balance sheet.

Stockholders' equity

|  |                |                  |
|--|----------------|------------------|
| Common stock.....                          | \$750,000      |                  |
| Paid-in capital in excess of par.....      | <u>200,000</u> | \$950,000        |
| Retained earnings .....                    |                | 120,000          |
| Accumulated other comprehensive loss ..... |                | <u>(150,000)</u> |
| Stockholders' equity – Hawthorn            |                |                  |
| Corporation .....                          |                | 920,000          |
| Noncontrolling interest .....              |                | <u>35,000</u>    |
| Total stockholders' equity .....           |                | <u>\$955,000</u> |

**BE5-11** Stowe Company's December 31, 2014, trial balance includes the following accounts: Investment in Common Stock \$70,000; Retained Earnings \$114,000; Trademarks \$31,000; Preferred Stock \$152,000; Common Stock \$55,000; Deferred Income Taxes \$88,000; Paid-in Capital in Excess of Par—Common Stock \$174,000; Noncontrolling Interest \$63,000. Prepare the stockholders' equity section of the balance sheet.

Stockholders' equity

|   |           |                  |
|---|-----------|------------------|
| Preferred stock .....                     | \$152,000 |                  |
| Common stock .....                        | 55,000    |                  |
| Additional paid-in capital.....           |           | 174,000          |
| Retained earnings .....                   |           | <u>114,000</u>   |
| Stockholders' equity – Stowe Company..... |           | 495,000          |
| Noncontrolling interest .....             |           | <u>63,000</u>    |
| Total stockholders' equity .....          |           | <u>\$558,000</u> |