

Ch4 The Classified balanced sheet and related disclosures - A

Access [link](#)
account: mrchenwp
password: Lyrix123!

Account 2
Username: mrchen
Password: LyryxDemo2021

#51 (Mon) Dec13 Ch4 The Classified balanced sheet and related disclosures - A

#52 (Tue) Dec14 Ch4 The Classified balanced sheet and related disclosures

1. What shapes and limits an accountant's measurement of wealth?
>
2. Are financial statements primarily intended for internal or external users?
>
3. What is a classified balance sheet?
>
4. What are the classifications within a classified balance sheet?
>
5. What are current assets?
>
6. What are non-current assets?
>
7. What are current liabilities?
>
8. What are long-term liabilities?
>

Exploration 4.2 Classified Balance Sheets

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9. What is the current-portion of a long-term liability?

>

10. What is the purpose and content of the notes to the financial statements?

>

11. What is the purpose and content of the auditor's report?

>

12. What is the purpose and content of the report that describes management's responsibility for financial statements?

>

Exercise 1 - Classified Balance Sheet

The following accounts and account balances are taken from the records of Joyes Enterprises Ltd. at December 31, 2016, its fiscal year-end. (The retained earning should be 7,000 as supposed to 2,000 in the textbook)

	<i>Dr.</i>	<i>Cr.</i>
Accounts Receivable	\$8,000	
Accounts Payable		\$7,000
Accumulated Depreciation – Buildings		1,000
Accumulated Depreciation – Equipment		4,000
Bank Loan (due 2017)		5000
Buildings	25,000	
Cash	2,000	
Dividends Declared	1,000	
Equipment	20,000	
Income Tax Payable		3,000
Land	5,000	
Merchandise Inventory	19,000	
Mortgage Payable (due 2019)		5,000
Prepaid Insurance	1,000	
Share Capital		48,000
Retained Earnings, Jan. 1 2016	-0-	7,000
Totals	\$81,000	\$75,000
Net Income	-0-	6,000
Totals	-0-	-0-

(Classified balance sheet reference)

Big Dog Carworks Corp. Balance Sheet At December 31, 2018					
Assets			Liabilities		
	2018	2017		2018	2017
Current assets			Current liabilities		
Cash	\$ 10,800	\$ 12,000	Borrowings (Note 5)	\$ 39,000	\$ 82,250
Accounts receivable	26,000	24,000	Accounts payable	24,000	22,000
Merchandise inventories	120,000	100,000	Income taxes payable	15,000	10,000
Prepaid expenses	1,200	570	Total current liabilities	\$ 78,000	\$ 114,250
Total current assets	\$158,000	\$136,570			
Property, plant, and equipment (Note 4)			Long-term liabilities		
	126,645	10,430	Borrowings (Note 5)	163,145	-0-
			Total liabilities	\$241,145	\$114,250
			Equity		
			Share capital (Note 6)	\$ 11,000	\$ 11,000
			Retained earnings	32,500	21,750
			Total equity	43,500	32,750
Total assets	\$284,645	\$147,000	Total liabilities and equity	\$284,645	\$147,000

Notes are included at the end of the financial statements. Among other purposes, they provide details about a particular category on the balance sheet or income statement.

- A) Using the above information, prepare a classified balance sheet.
- Modify the table below to be able to classify your Assets and Liabilities

CompanyName Balance Sheet At MMM DD YYYY		
Assets		
	\$	
	\$	
	\$	
	\$	
Total Assets		\$
Liabilities		
	\$	
	\$	
	\$	
	\$	
Total Liabilities		\$
Equities		
Share Capital		
Retained Earnings		
Total Equity		\$
Total Liabilities and Equity		\$

B) Does Joyes Enterprises Ltd. have sufficient resources to meet its obligations in the upcoming year?

>

C) Calculate the proportion of shareholders' to creditors' claims on the assets of Joyes.

> (i.e. the Liability as percentage of the asset)

Exercise 2 - Classified Balance Sheet

The following balance sheet was prepared for Abbey Limited:

Abbey Limited Balance Sheet As at November 30, 2015			
<i>Assets</i>		<i>Liabilities</i>	
<i>Current</i>		<i>Current</i>	
Cash	\$1,000	Accounts Payable	\$5,600
Accounts Receivable	6,000	Notes Payable (due 2016)	2,000
Building	12,000	Bank Loan (due 2022)	1,000
Merchandise Inventory	3,000	Total Current Liabilities	\$8,600
Total Current Assets	\$22,000		
<i>Non-current</i>		<i>Non-current</i>	
Short-Term Investments	3,000	Mortgage Payable (due 2023)	7,000
Equipment	1,500	Retained Earnings	1,000
Unused Office Supplies	100	Salaries Payable	250
Truck	1,350	Total Non-current Liabilities	8,250
Total Non-current Assets	5,950	Total Liabilities	16,850
		<i>Equity</i>	
		Share Capital	11,100
Total Assets	\$27,950	Total Liabilities and Assets	\$27,950

A) Identify the errors that exist in the balance sheet of Abbey Limited and why you consider this information incorrect.

>

B) Prepare a corrected, classified balance sheet.

> (copy your modified version of the balanced sheet in exercise 1 as template)

C) Based on the balance sheet categories, what additional information should be disclosed in the notes to the financial statements?

>

[\(link\)](#) solutions

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Exercise 3 - Classified Balance Sheet

Land used in the normal course of business operations	Accrued salaries payable
Notes payable, due in four months	Prepaid advertising
Truck	Advertising expense
Land held for investment	Unearned revenue
Copyright	Service revenue
Accounts payable	Cash
Cash dividends	Mortgage payable, due in fifteen years
Building	Mortgage payable, due in six months
Furniture	Share capital
Accounts receivable, from customer sales	Shop supplies
Franchise	Accumulated depreciation, building
Utilities expense	Depreciation expense
Utilities payable	Office supplies

5-CurL

1-CA

4-IntAsset

7-Equity

6-LLiab

2-LInv

8-NotRep

3-PPE

Required: Classify each account as one of the following:

1. current asset
2. long-term investment
3. property, plant and equipment
4. intangible asset
5. current liability
6. long-term liability
7. equity
8. not reported on the balance sheet

Exercise 4

Below are the December 31, 2016, year-end accounts balances for Abled Appliance Repair Ltd. This is business's third year of operations.

Cash	\$80,000	Share capital	\$1,000
Accounts receivable	66,000	Retained earnings	116,600
Office supplies inventory	2,000	Revenue	35,000
Prepaid insurance	5,000	Rent expense	3,000
Land	20,000	Salaries expense	8,000
Office equipment	10,000	Utilities expense	500
Accumulated depreciation, office equipment	2,000	Travel expense	1,500
Accounts payable	35,000	Insurance expense	600
Unearned consulting fees	10,000	Supplies and postage expense	3,000

1. Prepare the closing entries.

	Closing Entries			
Jan			\$	
	Income Summary			\$
	To close the revenue account balance			
	Income Summary			
	>Expense			
	To close			
	To close			
	To close dividends			

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Reference: Closing Entries

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Date	Description	F	Debit	Credit	
2015					
	Closing Entries				
Jan. 31	Repair Revenue		1 0 7 0 0 -		
	Income Summary			1 0 7 0 0 -	
	To close the revenue account balance.				
	Income Summary		8 6 4 3 -		
	Depreciation expense – equipment			2 5 -	
	Depreciation expense – truck			1 0 0 -	
	Income tax expense			5 0 0 -	
	Insurance expense			2 0 0 -	
	Interest expense			1 8 -	
	Rent expense			1 6 0 0 -	
	Salaries expense			3 5 0 0 -	
	Supplies expense			2 0 0 0 -	
	Truck operation expense			7 0 0 -	
	To close expense account balances.				
	Income Summary		2 0 5 7 -		
	Retained earnings			2 0 5 7 -	
	To close income summary to retained earnings.				
	Retained Earnings		2 0 0 -		
	Dividends			2 0 0 -	
	To close dividends to retained earnings.				

2. Prepare a classified balance sheet.

CompanyName Balance Sheet At MMM DD YYYY		
Assets		
	\$	
	\$	
	\$	
	\$	
Total Assets		\$
Liabilities		
	\$	
	\$	
	\$	
	\$	
Total Liabilities		\$
Equities		

Exercise 5

Below is the post-closing trial balance for Mystery Company Ltd. All accounts have normal balances.

Mystery Company Ltd.
Trial Balance
November 30, 2016

Accounts payable	\$ 95,960
Accounts receivable	99,520
Accrued salaries payable	58,580
Accumulated depreciation, building	43,530
Accumulated depreciation, vehicle	8,650
Building	270,000
Cash	150,650
Copyright	51,600
Current portion of long-term debt	72,000
Income taxes payable	32,500
Interest payable	12,000
Notes payable, due 2025	145,000
Office supplies	1,300
Prepaid insurance expense	10,000
Prepaid rent expense	12,000
Retained earnings	74,850
Share capital	??
Unearned revenue	150,000
Vehicle	108,000

Required: Prepare a classified balance sheet.

CompanyName Balance Sheet At MMM DD YYYY		
Assets		
	\$	

	\$	
	\$	
	\$	
Total Assets		\$
Liabilities		
	\$	
	\$	
	\$	
	\$	
Total Liabilities		\$
Equities		
Share Capital		
Retained Earnings		
Total Equity		\$
Total Liabilities and Equity		\$

Exercise 6

Below is the adjusted trial balance for Hitalle Heights Corp. All accounts have normal balances.

Hitalle Heights Corp.

Trial Balance

May 31, 2016

Accounts payable	\$ 13,020
Accounts receivable	59,808
Accrued salaries and benefits payable	4,872
Accumulated depreciation, furniture	1,792
Cash	8,888
Cash dividends	2,800
Depreciation expense	1,333
Furniture	8,400
Income tax expense	2,520
Income taxes payable	3,320
Insurance expense	2,072
Interest expense	84
Interest payable	224

Interest expense	84
Interest payable	224
Land	58,048
Bank loan payable (long-term)	16,800
Shop supplies	1,008
Prepaid insurance expense	7,162
Rent expense	12,600
Travel expense	840
Retained earnings	192,355
Revenue	94,000
Salaries expense	23,352
Share capital	840
Shop supplies expense	420
Franchise	155,868
Unearned revenue	21,000
Utilities expense	3,020

Additional information:

The bank loan will be reduced by \$5,200 next year.

There were 200 additional shares issued during the year for \$200.

Required: Prepare a classified balance sheet and a statement of changes in equity for May 31, 2016.

Company Name Balance Sheet At MMM DD YYYY		
Assets		
	\$	
	\$	
	\$	
	\$	
Total Assets		\$
Liabilities		
	\$	
	\$	
	\$	
	\$	
Total Liabilities		\$
Equities		
Share Capital		
Retained Earnings		
Total Equity		\$
Total Liabilities and Equity		\$