

Problem 2

TOP Corporation was formed at the beginning of 20X2, and presents the following incomplete financial statements for three years. TOP has requested your help in completing the missing values for each year.

Hint: Begin by solving the unknowns in the 20X2 year, and work forward to subsequent years. Remember that 20X2 is the first year of business, so TOP begins with a zero balance in 20X2 beginning retained earnings.

TOP CORPORATION						
Income Statement						
For the Years Ending December 31, 20XX						
	20X4		20X3		20X2	
Revenues						
Services to customers		\$ 100,000		?		\$ 50,000
Expenses						
Wages	?		\$ 58,500		?	
Interest	1,500	?	1,500	?	2,500	?
Net income		<u>?</u>		<u>\$ 20,000</u>		<u>?</u>

TOP CORPORATION			
Statement of Retained Earnings			
For the Years Ending December 31, 20XX			
	20X4	20X3	20X2
Beginning retained earnings	?	?	\$ -
Plus: Net income	<u>?</u>	<u>20,000</u>	<u>?</u>
	?	?	\$ 12,500
Less: Dividends	<u>15,000</u>	<u>?</u>	<u>?</u>
Ending retained earnings	<u>\$ 30,000</u>	<u>?</u>	<u>?</u>

TOP CORPORATION			
Balance Sheet			
December 31, 20XX			
	20X4	20X3	20X2
Assets			
Cash	?	?	\$ 25,000
Accounts receivable	32,500	25,000	?
Land	90,000	90,000	90,000
Total assets	<u>?</u>	<u>\$ 144,500</u>	<u>?</u>
Liabilities			
Interest payable	?	\$ 500	\$ 1,000
Loan payable	5,000	?	?
Total liabilities	\$ 5,500	\$ 15,500	
Stockholders' equity			
Capital stock	?	?	\$114,000
Retained earnings	?	15,000	?
Total stockholders' equity	?	?	119,000
Total Liabilities and equity	<u>\$ 149,500</u>	<u>?</u>	<u>\$ 150,000</u>

Worksheet 2

TOP CORPORATION			
Income Statement			
For the Years Ending December 31, 20XX			
	20X4	20X3	20X2
Revenues			
Services to customers	\$ 100,000	?	\$ 50,000
Expenses			
Wages	?	\$ 58,500	?
Interest	1,500	1,500	2,500
Net income	<u>?</u>	<u>\$ 20,000</u>	<u>?</u>

TOP CORPORATION			
Statement of Retained Earnings			
For the Years Ending December 31, 20XX			
	20X4	20X3	20X2
Beginning retained earnings	?	?	\$ -
Plus: Net income	?	20,000	?
	?	?	\$ 12,500
Less: Dividends	15,000	?	?
Ending retained earnings	<u>\$ 30,000</u>	<u>?</u>	<u>?</u>

TOP CORPORATION			
Balance Sheet			
December 31, 20XX			
	20X4	20X3	20X2
Assets			
Cash	?	?	\$ 25,000
Accounts receivable	32,500	25,000	?
Land	90,000	90,000	90,000
Total assets	<u>?</u>	<u>\$ 144,500</u>	<u>?</u>
Liabilities			
Interest payable	?	\$ 500	\$ 1,000
Loan payable	5,000	?	?
Total liabilities	\$ 5,500	\$ 15,500	?
Stockholders' equity			
Capital stock	?	?	\$114,000
Retained earnings	?	15,000	?
Total stockholders' equity	?	?	119,000
Total Liabilities and equity	<u>\$ 149,500</u>	<u>?</u>	<u>\$ 150,000</u>

Solution 2

TOP CORPORATION					
Income Statement					
For the Years Ending December 31, 20XX					
	20X4		20X3		20X2
Revenues					
Services to customers		\$ 100,000		\$ 80,000	\$ 50,000
Expenses					
Wages	\$ 68,500		\$ 58,500		35,000
Interest	1,500	70,000	1,500	60,000	2,500
Net income		<u>\$ 30,000</u>		<u>\$ 20,000</u>	<u>\$ 12,500</u>

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TOP CORPORATION			
Statement of Retained Earnings			
For the Years Ending December 31, 20XX			
	20X4	20X3	20X2
Beginning retained earnings	\$ 15,000	\$ 5,000	\$ -
Plus: Net income	30,000	20,000	\$ 12,500
	<u>\$ 45,000</u>	<u>\$ 25,000</u>	<u>\$ 12,500</u>
Less: Dividends	15,000	10,000	7,500
Ending retained earnings	<u><u>\$ 30,000</u></u>	<u><u>\$ 15,000</u></u>	<u><u>\$ 5,000</u></u>

TOP CORPORATION			
Balance Sheet			
December 31, 20XX			
	20X4	20X3	20X2
Assets			
Cash	\$ 27,000	\$ 29,500	\$ 25,000
Accounts receivable	32,500	25,000	35,000
Land	90,000	90,000	90,000
Total assets	<u><u>\$ 149,500</u></u>	<u><u>\$ 144,500</u></u>	<u><u>\$ 150,000</u></u>
Liabilities			
Interest payable	\$ 500	\$ 500	\$ 1,000
Loan payable	<u>5,000</u>	<u>15,000</u>	<u>30,000</u>
Total liabilities	\$ 5,500	\$ 15,500	\$ 31,000
Stockholders' equity			
Capital stock	\$114,000	\$114,000	\$114,000
Retained earnings	<u>30,000</u>	<u>15,000</u>	<u>5,000</u>
Total stockholders' equity	144,000	129,000	119,000
Total Liabilities and equity	<u><u>\$ 149,500</u></u>	<u><u>\$ 144,500</u></u>	<u><u>\$ 150,000</u></u>