



1+ to 2+

	A	B	C	D	E	F
1						
2			Amy Beck			
3			Balance Sheet			
4			November 30, 20-			
5		Assets		Liabilities		
6		Cash	1400	Owed to Alisha		300
7		Clothes	1250	Owed to Mom		75
8		Music Collection	240	Total Liabilities		=F6+F7
9		Electronic Equipment	725			
10		Books	300	Owner's Equity		
11		Laptop	900	A. Beck, Capital		=C15-F8
12		Jewellery	375			
13		Miscellaneous	200			
14				Total Liabilities		
15		Total Assets	=sum(C6:C13)	and Equity		=F8+F11
16						

3+ to 4 +

	A	B	C	D	E
1					
2			Amy Beck		
3			Balance Sheet		
4			December 31, 20-		
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					

  

Assets		Liabilities	
Cash	\$ 400	Owed to Alisha	\$ 80
Clothes	1,425	Owed to Mom	40
Music Collection	240	Total Liabilities	\$ 120
Electronic Equipment	725		
Books	300	Owner's Equity	
Laptop	900	A. Beck, Capital	4,445
Jewellery	375		
Miscellaneous	200		
<b>Total Assets</b>	<b>\$ 4,565</b>	<b>Total Liabilities and Equity</b>	<b>\$ 4,565</b>

	A	B	C	D	E	F
1						
2		Amy Beck				
3		Balance Sheet				
4		November 30, 20-				
5		<b>Assets</b>		<b>Liabilities</b>		
6		Cash	1400	Owed to Alisha	300	
7		Clothes	1250	Owed to Mom	75	
8		Music Collection	240	<b>Total Liabilities</b>	<b>=F6+F7</b>	
9		Electronic Equipment	725			
10		Books	300	<b>Owner's Equity</b>		
11		Laptop	900	A. Beck, Capital	<b>=C15-F8</b>	
12		Jewellery	375			
13		Miscellaneous	200			
14		<b>Total Assets</b>	<b>=sum(C6:C13)</b>	<b>Total Liabilities and Equity</b>	<b>=F8+F11</b>	
15						
16						

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1			Amy Beck		
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12		Jewellery	375		
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14		<b>Total Assets</b>	<b>\$ 4,565</b>	<b>Total Liabilities and Equity</b>	<b>\$ 4,565</b>
15					



Yesterday's homework....



A	B	C	D	E	F	G	H	I
19	<b>Kate Kramer - The Kramer Company</b>							
20	<b>Balance Sheet</b>							
21	<b>September 30, 20-</b>							
22	<b>Assets</b>	<b>Liabilities</b>						
23	Cash on Hand		\$106.00	Accounts Payable				
24	Bank Balance		\$1,530.00	- Able Supply Company		\$740.00		
25	Accounts Receivable			- C.P.Gregg		\$3,000.00	\$3,740.00	
26	- J. Crothers (debtor)	\$1,100.00		Bank Loan			\$10,000.00	
27	-R. Zach (debtor)	\$370.00	\$1,470.00	Total Liabilities			\$13,740.00	
28	Supplies		\$1,200.00					
29	Furniture Equipment		\$14,700.00					
30	Delivery Equipment		\$20,100.00					
31				<b>Owner's Equity</b>				
32				Kate Kramer, Capital			\$25,366.00	
33								
34								
35	Total Assets		\$39,106.00	Total Liabilities & Owner's Equity			\$39,106.00	
36								

These numbers should be formulas!

# New Western Company

## Balance Sheet

**31-Mar-12**

Assets		Liabilities	
Bank		Accounts Payable	
Accounts Receivable		-Household Finance Company	\$19,345.00
-Tasty Beverages	\$750.00	-General Trading Company	\$2,356.00
-Food Haven	\$400.00	-Lightning Electronics	\$3,378.00
-Metro Mall	<u>\$1,235.00</u>	Bank Loan	\$10,000.00
Supplies		Mortgage Payable	\$75,000.00
Furniture and Equipment		Total Liabilities	\$110,079.00
Trucks			
Land			
Building			
		<u>Owner's Equity</u>	
		New Western Company, Capital	\$195,892.00
<b>Total Assets</b>		<b>Total Liabilities and Owner's Equity</b>	<u>\$305,971.00</u>



# Today....

\*Both of the following cases may be done in one file. You may prefer to use an excel file over a word document, as the excel file saves automatically\*

## CASE 2

### Can You Spend the Equity?

Raj Singh is a young man who has just inherited a business from his father, Viresh. Raj has little business experience but is anxious to learn and willing to work hard.

The business has not been operating very profitably lately because it badly needs to replace outdated equipment. This will cost \$35 000.

The latest balance sheet of the business shows the following:

Assets		Liabilities	
Cash	\$ 3 000	Accounts Payable	\$ 5 000
Accounts Receivable	17 000	Bank Loan	30 000
Land	330 000	Mortgage Payable	250 000
Building	150 000	Total Liabilities	<u>\$285 000</u>
Equipment	20 000		
Total Assets	<u>\$520 000</u>	Owner's Equity	235 000
		V. Singh, Capital	<u>\$520 000</u>
		Total Liabilities and Equity	

After examining the balance sheet, Raj believes that he sees the solution to the problem. He wants to use the equity to purchase the new equipment. The accountant hastens to point out to Raj that this is not possible. Raj demands an explanation. What explanation will the accountant give?

**\*Please recreate this balance sheet, and change some of the numbers to justify your answer.\***

## CASE 3

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### Challenge

#### Are the Assets Always Worth What the Balance Sheet Says?

Hilda Lahti is the owner of Custom-Made Products in Ottawa, Ontario. Originally, Custom-Made Products was a machine shop that produced a variety of custom work. In the last few years, the company has developed and patented a line of scaffolding equipment for contractors and builders. The scaffolding equipment produced by the company is better than that of its competitors. As a result, the company has had great success with the new product. At the same time, the custom machine shop division of the business has been doing poorly. There is a lot of competition from other machine shops in the community. In the last year, the company earned \$135 000. Of this, \$110 000 was from the sale of scaffolding equipment and only \$25 000 was from the machine shop.

Recently, Hilda has decided to make a major change in the company operations. In particular, she has decided to get out of machine shop work. She intends to concentrate all of the energies of the company on expanding the markets for scaffolding and developing new products of this type. The change in policy has been made official, and the customers of the company have been notified.

The most recent balance sheet for the company, prepared at the request of the company's bank, provides the following information:

Assets	
Cash	\$ 1 500
Accounts Receivable	20 540
Supplies	1 821
Land and Building	302 500
Machinery and Equipment	205 365
Automotive Equipment	65 385
Total Assets	<u>\$597 111</u>
Liabilities	
Bank Loan	\$105 000
Accounts Payable	11 850
Mortgage Payable	285 000
Total Liabilities	<u>\$401 850</u>
Owner's Equity	
H. Lahti, Capital	195 261
Total Liabilities and Equity	<u>\$597 111</u>

The bank manager who receives the above balance sheet notices that no adjustment has been made to show the company's decision to quit custom machine shop work. Inquiries reveal that the company has \$155 000 of specialized machine shop equipment included in the Machinery and Equipment figure of \$205 365 on the balance sheet. It is generally agreed that the market for this type of equipment is quite poor. The company's equipment is outdated, and most other machine shops have already acquired modern computer-controlled equipment.

### Questions

1. On the basis of the preceding statement, why would the bank manager be concerned about the repayment of the bank loan?
2. What additional information would help the bank manager to evaluate the company's loan?
3. What needs to be done regarding the above balance sheet?
4. Assuming that a buyer is found for the machine shop equipment who pays \$35 000, what changes should be made on the balance sheet?
5. Prepare a simple balance sheet to show the changes.