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Students' Department

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Students' Department

H. P. BAUMANN, *Editor*

AMERICAN INSTITUTE EXAMINATIONS

[NOTE.—The fact that these solutions appear in THE JOURNAL OF ACCOUNTANCY should not cause the reader to assume that they are the official solutions of the board of examiners. They represent merely the opinions of the editor of the *Students' Department*.]

EXAMINATION IN ACCOUNTING THEORY AND PRACTICE—PART II

November 15, 1929, 1 P. M. to 6 P. M.

The candidate must answer all the following questions.

No. 1 (38 points):

From the data following, you are required to prepare an accounting for the trustees (three brothers, hereinafter mentioned), for the year ended December 31, 1928, embodying (a) a statement of cash receipts and disbursements and (b) a schedule of the payments of principal and income to each beneficiary.

James DeBritt died March 1, 1906. By the terms of his will, the estate was to be divided into seven equal parts as follows:

One seventh to the widow (Jane DeBritt) to be held in trust during her lifetime, with power to will the principal; all income from her share to be paid to her direct. One seventh to each of three daughters—Alma DeBritt McMahon (married), Mira and Susan (both single); each share to be held in trust under the same conditions as the widow's, all income therefrom to be paid to each. One seventh to each of three sons (appointed trustees)—James, Andrew and Herbert; each of these shares was to be divided into two equal parts, one to be a trust fund under the same conditions and terms as the widow's full share, the other to be paid to them outright.

At the date of his death, the testator owned 15,000 acres of unimproved land on Long Island. This land could not be sold except at a great sacrifice, so the trustees received permission from the surrogate to continue the operation of the estate until a satisfactory sale of the property could be made. The surrogate further ruled that all taxes paid on this property should be added to its value and not treated as an expense chargeable to income. By an expert appraisal, as at March 1, 1913, this land was valued at \$1,160 an acre.

The total value of the estate at the date of death of the testator, as shown by the appraisal for inheritance-tax purposes, was \$2,800,000 which included a value of \$840,000 on the Long Island real estate. On the basis of this appraisal, each of the sons was entitled to receive, on account of his free fund, the sum of \$200,000.

On November 1, 1911, Alma DeB. McMahon (the married daughter) died, widowed and without issue. Her entire estate consisted of her share in her father's estate. In her will, she made several specific bequests amounting to \$350,000. These were paid by the trustees of the estate of James DeBritt and charged to her share as advances. The balance was left to her brothers and sisters in equal shares.

On December 31, 1927, an intermediate accounting was made to the surrogate. All expenses and commissions were paid to this date and all income was distributed to beneficiaries as stipulated.

The following assets remained (all securities having been purchased at par):

Cash in bank	\$ 20,000
Office building in New York, inventoried at	340,000
Apartment house in New York, inventoried at	280,000
15,000 acres of Long Island property, on which taxes and assessments, amounting to \$39,300, had been paid to March 1, 1913, and \$88,200 from March 1, 1913, to December 31, 1927, making its book value, as at the latter date	967,500

The Journal of Accountancy

New York City 5 per cent. corporate stock, par value.....	\$330,000
U. S. government farm-loan bonds, 4 per cent., par value.....	200,000
Foreign government 5 per cent. bonds.....	100,000
Railroad and industrial 5 per cent. bonds, on which a 2 per cent. tax is paid at the source.....	420,000
4,000 shares of 7 per cent. preferred stock of American Metals Co. (par value \$100).....	400,000

Advances on account of beneficiaries' free fund shares, at December 31, 1927, were as follows: James, \$250,000; Andrew, \$325,000; Herbert, \$300,000; and of the estate of Alma DeB. McMahon, \$350,000.

The trustees' transactions during the year 1928, were as follows:

On June 30th, 5,000 acres of the Long Island property were sold for \$10,000,000, net, i.e., after all commissions and adjustments had been deducted. The sale was made to the R. E. Development Co. which paid 40 per cent cash, the balance remaining on mortgage at 6 per cent. until sales of the property were made in individual plots, when substituted first mortgages were to be taken by the estate for 50 per cent. of the mortgage released and the balance in cash. On September 30th, \$250,000 of substituted first mortgages were received, bearing interest at 6 per cent., payable quarterly, commencing December 31, 1928.

Regular dividends were received on the shares of stock owned.

Rents received from office building during the year were \$54,000 and the attendant expenses were wages \$12,000, repairs, etc., \$6,000 and taxes \$2,000.

Rents received from the apartment house during the year were \$48,000 and the attendant expenses were wages \$14,500, repairs, etc. \$4,000 and taxes \$1,500.

Interest received on bank balances, apart from other interest, was \$66,750.

Taxes on unimproved property, amounting to \$10,500 for the full year of 1928, were paid in March, 1928.

The general operating expenses of the estate were \$12,500 for the year.

Interest on advances to the beneficiaries is to be charged at the rate of 6 per cent. per annum.

In lieu of commissions, for services during the year 1928, the trustees received \$25,410, which was divided among them equally.

On December 30, 1928, the trustees paid the net income due to each beneficiary. They then decided that they were in a position to make further payments, on account of principal, to those beneficiaries entitled thereto, and proceeded to distribute the sum of \$2,650,000 in accordance with this decision.

The final transaction for the year 1928 was the investment of \$1,500,000 in U. S. government farm-loan, 4 per cent. bonds at par.

Solution:

Exhibit A

ESTATE OF JAMES DEBRITT

Charge and discharge statement as to principal for the year
ended December 31, 1928

We charge ourselves with:

Inventory of assets at January 1, 1928 (schedule A).....	\$ 4,282,500.00
Gain on realization (schedule B).....	9,674,000.00
	\$13,956,500.00
Total charges.....	\$13,956,500.00
Less—Federal tax liability (schedule C).....	520,887.50
	\$13,435,612.50

The following working papers (schedule A) show the inventory of the assets of the estate as at January 1, 1928, the changes during the year, and the status of the principal at the end of the year.

Students' Department

Schedule A

ESTATE OF JAMES DEBRITT

Working trial balance for the year ended December 31, 1928

Particulars	January 1, 1928		Changes for year		December 31, 1928	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash in bank principal.....	\$ 20,000.00		(1) \$ 4,250,000.00	(1) \$ 4,160,500.00	109,500.00	
Cash in bank income.....			(1) 497,000.00	(1) 497,000.00		
Office building in New York.....	340,000.00				340,000.00	
Apartment house—New York.....	280,000.00				280,000.00	
Long Island acreage.....	967,500.00				967,500.00	
New York City, 5% corporate stock.....	330,000.00		(2) 10,500.00	(3) 326,000.00		
U. S. government farm-loan bonds 4%.....	200,000.00				370,000.00	
Foreign government 5% bonds.....	100,000.00		(6) 1,500,000.00		1,700,000.00	
Railroad and industrial 5% bonds.....	420,000.00				100,000.00	
American Metals Co., 7% preferred stock.....	400,000.00				420,000.00	
Substitute first mortgages.....			(7) 6,000,000.00	(8) 500,000.00	5,500,000.00	
Federal tax liability.....			(9) 250,000.00	(10) 520,887.50	250,000.00	\$520,887.50
Principal advanced James DeBritt.....	250,000.00		(11) 525,000.00		775,000.00	
Principal advanced Andrew DeBritt.....	325,000.00		(11) 450,000.00		775,000.00	
Principal advanced Herbert DeBritt.....	300,000.00		(11) 475,000.00		775,000.00	
Principal advanced Alma DeB. McMahon estate.....	350,000.00		(11) 1,200,000.00		1,550,000.00	
James DeBritt free estate.....		\$305,892.85		(12) 653,793.76		959,686.61
Andrew DeBritt free estate.....		305,892.85		(12) 653,793.76		959,686.61
Herbert DeBritt free estate.....		305,892.85		(12) 653,793.76		959,686.61
Alma DeB. McMahon estate.....		305,892.85		(12) 653,793.76		959,686.61
Jane DeBritt trust estate.....		611,785.72		(12) 1,307,587.50		1,919,373.22
Mira DeBritt trust estate.....		611,785.72		(12) 1,307,587.50		1,919,373.22
Susan DeBritt trust estate.....		611,785.71		(12) 1,307,587.51		1,919,373.22
	\$4,282,500.00	\$4,282,500.00	\$15,157,500.00	\$15,157,500.00	\$13,956,500.00	\$13,956,500.00

(1) Per cash receipts and disbursements—exhibit C.

(2) Real estate taxes paid.

(3) Cost of 5,000 acres sold.

(6) Purchased.

(7) Received on sale of real estate.

(8) Paid in cash and substitute mortgages.

(9) Substitute mortgages.

(10) Income tax on sale of land.

(11) Principal advances during year—schedule E.

(12) Increase in estate resulting from excess received from sale of 5,000 acres of land at a price in excess of its inventory value.

The Journal of Accountancy

Schedule B

ESTATE OF JAMES DEBRITT

Gain on sale of 5,000 acres of Long Island property (sold June 30, 1928)

Realized:	
Cash	\$ 4,250,000.00
Mortgage at 6%	5,500,000.00
Substitute first mortgage	250,000.00
Total	<u>\$10,000,000.00</u>
Value of land sold:	
Value of 15,000 acres at January 1, 1928 ..	\$967,500.00
Taxes on property, paid during 1928	10,500.00
Value of 15,000 acres at June 30, 1928	<u>\$978,000.00</u>
Value of 5,000 acres sold	326,000.00
Gain on sale of 5,000 acres, before provision for federal tax ..	<u>\$ 9,674,000.00</u>

Schedule C

Computation of income-tax liability on sale of Long Island property

Sales price	\$10,000,000.00
Cost:	
Value of 15,000 acres at	
March 1, 1913	<u>\$17,400,000.00</u>
Value of 5,000 acres	\$5,800,000.00
Taxes paid since	
March 1, 1913:	
Previous years	\$88,200.00
Current year	10,500.00
Total on 15,000	
acres	<u>\$98,700.00</u>
Amount applicable to 5,000 acres	<u>32,900.00</u>
Taxable gain	<u>5,832,900.00</u>
Tax—computed as a capital net gain, taxable at 12½ per cent.	<u>\$4,167,100.00</u>
	<u>\$ 520,887.50</u>

Exhibit B

ESTATE OF JAMES DEBRITT

Charge and discharge statement as to income for the year ended
December 31, 1928

We charge ourselves with:

Interest:

On mortgage on Long Island property:

On releases	\$ 7,500
On mortgages	165,000
On substitute mortgages	3,750
	<u>\$176,250</u>

Students' Department

	<i>Forward</i>	\$176,250	
On U. S. government farm loan bonds, 4%		8,000	
On foreign government 5% bonds		5,000	
On railroad and industrial 5% bonds . . .		21,000	
On bank balances		66,750	
On advances to beneficiaries:			
James DeBritt	\$ 15,000		
Andrew DeBritt	19,500		
Herbert DeBritt	18,000		
Alma DeB. McMahon	21,000	73,500	
			<u>\$350,500</u>
Dividends:			
On New York City 5% corporate stock . . .	\$ 16,500		
On American Metals Co. 7% preferred . . .		28,000	
			<u>44,500</u>
Office building income:			
Rents received		\$54,000	
Expenses:			
Wages	\$ 12,000		
Repairs	6,000		
Taxes	2,000	20,000	
			<u>34,000</u>
Apartment-house income:			
Rents received		\$ 48,000	
Expenses:			
Wages	\$ 14,500		
Repairs	4,000		
Taxes	1,500	20,000	28,000
			<u>457,000</u>
Total			<u>\$457,000</u>
We credit ourselves with:			
General operating expenses	\$ 12,500		
Trustees' fees		25,410	37,910
			<u>37,910</u>
Distributed to beneficiaries (schedule D)			<u><u>\$419,090</u></u>

Schedule D

ESTATE OF JAMES DEBRITT

--Statement of income payments to beneficiaries, December 31, 1928

Distributed net income per exhibit B **\$419,090**

Which is distributed to—

	Share of Beneficiaries Alma DeB.		
	own share	McMahon	Total
James DeBritt	\$ 59,870	\$ 11,974	\$ 71,844
Andrew DeBritt	59,870	11,974	71,844
Herbert DeBritt	59,870	11,974	71,844
Alma DeB. McMahon	59,870	59,870	

The Journal of Accountancy

Jane DeBritt	\$ 59,870		\$ 59,870
Mira DeBritt	59,870	\$ 11,974	71,844
Susan DeBritt	59,870	11,974	71,844
	<u>\$419,090</u>	<u>\$</u>	<u>\$419,090</u>
 Total distribution			 <u>\$419,090</u>
 Income balance			 <u>None</u>

Schedule E

ESTATE OF JAMES DEBRITT

Statement of principal payments to beneficiaries, December 31, 1928

Amount to be distributed	\$2,650,000
Which should be distributed to—	

	Beneficiaries		Total
	Alma DeB. own free estate	McMahon free estate	
James DeBritt	* \$ 525,000	\$240,000	\$765,000
Andrew DeBritt	450,000	240,000	690,000
Herbert DeBritt	475,000	240,000	715,000
Alma DeB. McMahon	1,200,000	1,200,000	
Mira DeBritt		240,000	240,000
Susan DeBritt		240,000	240,000
	<u>\$2,650,000</u>	<u>\$</u>	<u>\$2,650,000</u>

Total distribution	\$2,650,000
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* Payments made to equalize previous distribution.

Exhibit C
Sheet 1

ESTATE OF JAMES DEBRITT

Statement of cash receipts for the year ended December 31, 1928

Particulars	Total	Principal	Income
Balance, January 1, 1928	\$ 20,000	\$ 20,000	
Sale of Long Island property	4,000,000	4,000,000	
Cash received to release mortgage on Long Island property	250,000	250,000	
Interest on mortgage released \$500,000.00 at 6%—3 months	7,500		\$ 7,500
Interest on mortgage 6/30 to 12/31 at 6% on \$5,500,000.00	165,000		165,000
Interest on substituted mortgages 9/30 to 12/30 at 6% on \$250,000.00	3,750		3,750
Dividend on 5% corporate stock New York City	16,500		16,500

Students' Department

Interest on U. S. government farm-loan bonds		
at 4%.....	\$ 8,000	\$ 8,000
Interest on foreign government 5% bonds...	5,000	5,000
Interest on R. R. and industrial 5% bonds..	21,000	21,000
Dividends on American Metals Co. 7% preferred stock.....	28,000	28,000
Rents received—office building.....	54,000	54,000
Rents received—apartment house.....	48,000	48,000
Interest on bank balances.....	66,750	66,750
Interest collected from beneficiaries on advances—		
James DeBritt.....	15,000	15,000
Andrew DeBritt.....	19,500	19,500
Herbert DeBritt.....	18,000	18,000
Alma DeB. McMahan.....	21,000	21,000
Total.....	\$4,767,000	\$4,270,000
	\$497,000	\$497,000

Exhibit C
Sheet 2

ESTATE OF JAMES DEBRITT

Statement of cash disbursements for the year ended December 31, 1928

	Total	Principal	Income
Office building—			
Wages.....	\$ 12,000		\$ 12,000
Repairs.....	6,000		6,000
Taxes.....	2,000		2,000
Apartment-house expense—			
Wages.....	14,500		14,500
Repairs.....	4,000		4,000
Taxes.....	1,500		1,500
Taxes on unimproved real estate.....	10,500	\$ 10,500	
General operating expenses for 1928.....	12,500		12,500
Trustees' compensation.....	25,410		25,410
Investment in U. S. government farm-loan 4% bonds at par.....	1,500,000	1,500,000	
Income payments to beneficiaries—			
James DeBritt.....	71,844		71,844
Andrew DeBritt.....	71,844		71,844
Herbert DeBritt.....	71,844		71,844
Jane DeBritt.....	59,870		59,870
Mira DeBritt.....	71,844		71,844
Susan DeBritt.....	71,844		71,844
Advances of principal beneficiaries (schedule E)—			
James DeBritt on own account.....	525,000	525,000	
Andrew DeBritt on own account.....	450,000	450,000	
Herbert DeBritt on own account.....	475,000	475,000	

The Journal of Accountancy

Alma DeB. McMahon:			
To James DeBritt	\$ 240,000	\$ 240,000	
Andrew DeBritt	240,000	240,000	
Herbert DeBritt	240,000	240,000	
Mira DeBritt	240,000	240,000	
Susan DeBritt	240,000	240,000	
<hr/>			
Total disbursements	\$4,657,500	\$4,160,500	\$497,000
Closing balance	109,500	109,500	None
<hr/>			
Total	\$4,767,000	\$4,270,000	\$497,000
<hr/> <hr/>			

No. 2 (27 points):

Following is the trial balance of Filbert & Company, Inc., December 31, 1928, before closing:

Accounts payable		\$ 38,296
Accounts receivable	\$ 46,914	
Administrative salaries	10,000	
Advertising	7,800	
Auto expense—salesmen	450	
Bad debts	2,784	
Branch store—account current	21,505	
Capital stock		250,000
Cash in office	1,685	
Discounts allowed	128	
Discounts taken		7,554
First National bank account	48,423	
Freight inward—merchandise	19,544	
Freight outward and delivery	2,118	
Furniture and fixtures	43,420	
Insurance, fire—merchandise	3,000	
Interest	600	
Inventory—January 1, 1928	218,932	
Life insurance—manager	1,520	
Notes payable		50,000
Notes receivable	3,575	
Office salaries and expenses	8,800	
Purchases—merchandise	401,004	
Rent	7,200	
Sales—merchandise		492,515
Salespeople—wages	28,960	
Store—general expenses	7,285	
Surplus—January 1, 1928		53,954
Taxes—personal property	3,200	
Wrapping and shipping	3,472	
		<hr/>
		\$892,319
		<hr/> <hr/>

On January 1, 1929, before the stock-taking could be completed, a fire occurred, resulting in such damage to merchandise that it was impossible to determine accurately the value thereof. It is known, however, that sales realize a gross profit of 20 per cent. or 25 per cent. on cost of sales (freight inward included). Wrapping supplies on hand (undamaged) were valued at \$572.

Ten per cent. is to be charged for depreciation of furniture and fixtures.

Students' Department

From the branch-store books, the following is gathered:

January 1, 1928—Cash on hand \$1,000, merchandise inventory \$27,005 and furniture and fixtures \$3,500. During the year 1928, the merchandise purchases were \$83,290, sales \$108,769, expenses \$12,768 and cash remittances to main store \$10,000. Bad debts written off were \$25.

Depreciation of furniture is to be computed at 10 per cent.

On December 31, 1928, the cash on hand was \$1,986, merchandise inventory \$23,280 and accounts receivable (good) \$1,700.

You are required to close the books, present balance-sheet, profit-and-loss account and inventory of merchandise, placing the branch-store account current at December 31, 1928, on the main-store books and setting up a reserve for federal income tax.

Solution:

The inventory on hand at the home office may be estimated by the gross-profit method, as follows:

FILBERT & COMPANY, INC.

Statement showing computation of inventory December 31, 1928

Inventory, at January 1, 1928.....		\$218,932
<i>Add:</i>		
Purchases.....	\$401,004	
Freight inward—merchandise.....	19,544	420,548
Total.....		\$639,480
<i>Less: estimated cost of sales for the year ended December 31, 1928:</i>		
Sales.....	\$492,515	
<i>Less: estimated gross profit—20%</i>	98,503	394,012
Estimated cost of inventory.....		\$245,468

Adjusting and closing entries—Home office at December 31, 1928

Merchandise inventory, December 31, 1928.....		\$245,468
Profit and loss.....		\$245,468
To record the estimated value of the inventory of merchandise on hand December 31, 1928.		
Wrapping supplies on hand.....	572	
Wrapping and shipping.....		572
To record inventory of wrapping supplies on hand December 31, 1928.		
Depreciation on furniture and fixtures.....	4,342	
Reserve for depreciation—		
furniture and fixtures.....		4,342
To write off depreciation for the year 1928.		
Book value.....	\$43,420	
10% thereof.....	4,342	
		4,342

The Journal of Accountancy

Profit and loss	\$110,631.00	
Administrative salaries		\$ 10,000.00
Advertising		7,800.00
Auto expense—salesmen		450.00
Bad debts		2,784.00
Discounts allowed		128.00
Freight inward—merchandise		19,544.00
Freight outward and delivery		2,118.00
Insurance, fire—merchandise		3,000.00
Interest		600.00
Life insurance—manager		1,520.00
Depreciation—furniture and fixtures		4,342.00
Office salaries and expenses		8,800.00
Rent		7,200.00
Salespeople—wages		28,960.00
Store—general expenses		7,285.00
Taxes—personal property		3,200.00
Wrapping and shipping		2,900.00
To transfer expenses for the year to profit and loss.		
Profit and loss	374,468.00	
Inventory—January 1, 1928		218,932.00
Purchases—merchandise		155,536.00
To transfer inventory, January 1, 1928 and balance in purchase—merchandise accounts to profit and loss.		
Sales	492,515.00	
Discounts taken	7,554.00	
Profit and loss		500,069.00
To transfer sales and discounts taken to profit and loss.		
Profit and loss	14,970.00	
Surplus		14,970.00
To transfer profit of home office for the year 1928 to surplus account.		
Branch store—current account	8,611.00	
Surplus		8,611.00
To record the profit of the branch for the year 1928.		
Surplus	2,753.12	
Federal income tax payable		2,753.12
To set up liability for federal income tax for 1928.		
Combined profit per books	\$23,581.00	
Add non-deductible item of life insurance—manager	1,520.00	
Taxable income	\$25,101.00	

Students' Department

Less: statutory credit	\$ 3,000.00
Taxable income	\$22,101.00
Tax at 12%	\$ 2,652.12
Add: income in excess of \$25,000.	101.00
Tax liability	\$ 2,753.12

FILBERT AND COMPANY, INC.

Combined profit-and-loss statements for the year ended December 31, 1928

	Home Office	Branch	Combined Profit and Loss
Sales	\$492,515	\$108,769	\$601,284
Deduct cost of goods sold:			
Inventory, January 1, 1928	\$218,932	\$ 27,005	\$245,937
Purchases—merchandise	401,004	83,290	484,294
Freight inward—merchandise	19,544		19,544
Total	\$639,480	\$110,295	\$749,775
Less: inventory, December 31, 1928	245,468	23,280	268,748
Cost of goods sold	394,012	87,015	481,027
Gross profit	\$ 98,503	\$ 21,754	\$120,257
Deduct expenses:			
Administrative salaries	\$ 10,000		\$ 10,000
Advertising	7,800		7,800
Auto expense—salesmen	450		450
Bad debts	2,784	25	2,809
Depreciation—furniture and fixtures	4,342	350	4,692
Freight outward and delivery	2,118		2,118
Insurance, fire—merchandise	3,000		3,000
Life insurance—manager	1,520		1,520
Office salaries and expenses	8,800		8,800
Rent	7,200		7,200
Salespeople—wages	28,960		28,960
Store—general expenses	7,285		7,285
Taxes—personal property	3,200		3,200
Wrapping and shipping	2,900		2,900
Branch expenses		12,768	12,768
Total	90,359	13,143	103,502
Profits from operations	\$ 8,144	\$ 8,611	\$ 16,755
Discounts earned	7,554		7,554
Total	\$ 15,698	\$ 8,611	\$ 24,309
Other expenses:			
Discounts allowed	\$ 128		\$ 128
Interest paid	600		600
Total other expenses	728		728
Net profit before provision for federal income taxes	\$ 14,970	\$ 8,611	\$ 23,581

The Journal of Accountancy

FILBERT AND COMPANY, INC.

Combined balance-sheet (working papers) December 31, 1928

<i>Assets</i>	Home office	Branch	Elimina- tions	Combined balance- sheet
Cash in office	\$ 1,685.00	\$ 1,986.00		\$ 3,671.00
First National bank account	48,423.00			48,423.00
Accounts receivable	46,914.00	1,700.00		48,614.00
Notes receivable	3,575.00			3,575.00
Merchandise inventory	245,468.00	23,280.00		268,748.00
Wrapping supplies on hand	572.00			572.00
Furniture and fixtures	43,420.00	3,500.00		46,920.00
Branch store—current account	30,116.00		\$30,116.00	
Total Assets	\$420,173.00	\$30,466.00	\$30,116.00	\$420,523.00
<i>Liabilities and net worth</i>				
Federal income tax payable	\$ 2,753.12			\$ 2,753.12
Accounts payable	38,296.00			38,296.00
Notes payable	50,000.00			50,000.00
Reserve for depreciation—furniture and fixtures	4,342.00	\$ 350.00		4,692.00
Capital stock	250,000.00			250,000.00
Surplus	74,781.88			74,781.88
Home office—current account		30,116.00	\$30,116.00	
Total liabilities and net worth	\$420,173.00	\$30,466.00	\$30,116.00	\$420,523.00

FILBERT AND COMPANY, INC.

Balance-sheet—December 31, 1928

Assets

Current assets:

Cash:

In office	\$ 1,685.00		
At branch	1,986.00		
First National Bank	48,423.00	\$ 52,094.00	

Receivables:

Customers	\$48,614.00		
Notes	3,575.00	52,189.00	

Merchandise inventory 268,748.00 **\$373,031.00**

Wrapping supplies on hand 572.00

Furniture and fixtures (less depreciation) 42,228.00

\$415,831.00

Students' Department

Liabilities and net worth

Current liabilities:

Federal income tax payable.....	\$ 2,753.12		
Accounts payable.....	38,296.00		
Notes payable.....	50,000.00	\$ 91,049.12	

Net worth:

Capital stock.....		\$250,000.00	
Surplus—January 1, 1928.....	\$53,954.00		
Add: profits for the year, 1928.....	23,581.00		
Total.....	\$77,535.00		
Less—provision for federal income taxes for 1928.....	2,753.12	74,781.88	324,781.88
			<u>\$415,831.00</u>