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Students' Department

H. A. Finney

Students' Department

EDITED BY H. A. FINNEY

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

EXAMINATION ON ACCOUNTING THEORY AND PRACTICE—PART II (*Concluded*)
MAY 15, 1925, 1 P. M. TO 6 P. M.

No. 3 (*10 points*):

What is meant by "budgetary control" in business? State definitely some of its advantages.

Answer:

The editor takes the liberty of quoting the following from Mr. J. O. McKinsey's excellent book on budgetary control:

"Budgetary control involves the following:

"1. The statement of the plans of all the departments of the business for a certain period of time in the form of estimates.

"2. The coördination of these estimates into a well-balanced programme for the business as a whole.

"3. The preparation of reports showing a comparison between the actual and the estimated performance, and the revision of the original plans when these reports show that such a revision is necessary.

"Budgetary control is urgently needed in administrative control for two purposes:

"1. As a means of coördinating the activities of the various functional departments.

"2. As a basis for centralized executive control."

No. 4 (*10 points*):

You are called into consultation by the president and general manager of the Women's Retail Stores Corporation and told that although the company has been "marking up" all its merchandise 66⅔ per cent, yet at the close of the year it is surprised to learn of a loss, a substantial profit being expected.

The president lays stress on the point that the "mark up" (66⅔%) is "enormous" and that the operating expenses are not excessive.

What is your opinion of the president's statement?

Solution:

While a reasonable and sufficient mark-up is necessary to every successful business, an adequate volume is also vital. It may be that the very "enormousness" of the mark-up has resulted in a small volume of sales in a competitive market, and a consequent insufficiency of gross profit to meet the expenses.

It is also possible that, although the original mark-up has been 66⅔%, there have been subsequent mark-downs which have affected the sales price. The name of the concern suggests that it may have been engaged in selling women's ready-to-wear garments, in which the style element dominates. Because of the rapid and extreme changes in styles, patterns and materials from season to season, stocks must be sold to avoid carrying them over to a succeeding season when they would be unmerchantable. The clearance sales at the end of each season may have resulted in a margin of gross profit considerably less than the original mark-up.

Discounts on purchases range from 2% to 10% in this line, and average about 5½% on the yearly purchases. A business in this line which is not in a position to take these discounts can not expect to succeed in competition with other concerns which can take the discounts.

One of the common ways in which business men deceive themselves as to the profitableness of their businesses is by computing the rate of gross profit on the basis of cost while computing the rate of expenses on the basis of sales. To illustrate, assume the following figures:

Sales	$25,000
Cost of goods sold	15,000
Gross profit	$10,000
Expenses	12,500
Net loss	$2,500

The merchant who writes up his merchandise from $15,000 to $25,000 in order to make a gross-profit rate of 66⅔ per cent (on cost) and thinks that this will leave a net profit because the expenses are 50 per cent (on sales) is not as exceptional as might be assumed.

No. 6 (*14 points*):

Brown and Green entered into a joint adventure.

On May 1, 1924, they purchased 5,000 tons of coal in Philadelphia at $4 per ton, f.o.b., for which they gave notes on May 10th for one-half at 3 months and for the other half at 6 months. The coal was shipped to Mexico City on May 15th, the freight, etc., amounting to $5,000.

A joint banking account was opened on May 10th, each party contributing $6,000.

The freight was paid for by cheque on May 20th and on May 25th a cheque was drawn for $1,000 for charges at Mexico City.

The coal was sold at $7 per ton and the proceeds used to purchase a cargo of timber, which was shipped to Philadelphia. Freight and other charges thereon, amounting to $3,750, were paid by cheque June 30th.

During July four-fifths of the timber was sold for $32,000. This was received and paid into the joint account, August 2nd.

In order to close the transaction, Brown agreed to take over the remaining one-fifth at cost price including freight and charges and he paid a cheque for this into the joint account, August 10th.

The first note fell due and was paid August 13th and on the same day the other note was paid under discount at the rate of four per cent per annum.

Prepare accounts showing the result of the foregoing transactions, disregarding interest on capital contributions.

Solution:

The problem requires accounts showing the results of the venture transactions, but does not specifically call for joint venture accounts in the technical form so called. The entries in the following accounts record transactions which can be traced by numbers to the following explanatory list:

1. Coal purchase on account, 5,000 tons @ $4.00 per ton.
2. Notes given in payment of above open account.

3. Liability for freight on coal shipment to Mexico City.
4. Bank account opened and charged with investments of $6,000 by each of the participants in the venture.
5. Freight bill paid.
6. Additional charges at Mexico City paid.
7. Coal sold for $35,000 in cash.
8. Timber purchased with proceeds of coal sold.
9. Freight on timber paid.
10. Sale of four-fifths of timber for $32,000.
11. Receipt of cash for above sale.
12. Sale of remaining timber at cost plus charges.
13. Payment of note of $10,000 due August 10th.
14. Payment of note due November 10th at discount of $100.
15. Transfer of costs, revenue and expenses to coal venture profit and loss account.
16. Distribution of profit arising from coal venture.
17. Transfer of costs, revenue and expenses of timber venture to timber venture profit and loss account.
18. Distribution of profit arising from timber venture.
19. Cash disbursed to participants.

Coal Purchases

1924				1924			
May 1	....	(1)	$20,000	Aug. —	P. & L........	(15)	$20,000

Accounts Payable

1924				1924			
May 10	Notes payable	(2)	$20,000	May 1	Coal.........	(1)	$20,000
20	Cash.........	(5)	5,000	15	Freight, etc....	(3)	5,000
			$25,000				$25,000

Notes Payable

1924				1924			
Aug. 13	Cash.........	(13)	$10,000	May 10	Due Aug. 10...	(2)	$10,000
13	Cash and discount	(14)	10,000	10	Due Nov. 10...	(2)	10,000
			$20,000				$20,000

Freight and Miscellaneous Charges

1924				1924			
May 15	Coal to Mexico City.......	(3)	$5,000	Aug. 10	Sale to Brown	(12)	$750
20	Charges at Mexico City	(6)	1,000	10	Coal P. & L...	(15)	6,000
June 30	Timber.......	(9)	3,750	—	Timber P. & L.	(17)	3,000
			$9,750				$9,750

Bank Account

1924				1924			
May 10	Investment....	(4)	$12,000	May 20	Freight.......	(5)	$5,000
—	Sale of coal....	(7)	35,000	20	Freight—Mexico City..	(6)	1,000
Aug. 2	Sale of timber..	(11)	32,000	20	Timber purchase	(8)	35,000
10	Sale of timber-Brown.......	(12)	7,750	June 30	Timber freight..	(9)	3,750
				Aug. 13	Note payable..	(13)	10,000
				13	Note payable..	(14)	9,900
				—	Brown.......	(19)	11,050
				—	Green........	(19)	11,050
			$86,750				$86,750

BROWN—CAPITAL

1924				1924			
Aug. —	Cash.........	(19)	$11,050	May 10	Cash.........	(4)	$6,000
				Aug. —	Profit—Coal..	(16)	4,550
				—	Profit—timber	(18)	500
			$11,050				$11,050

GREEN—CAPITAL

1924				1924			
Aug. —	Cash.........	(19)	$11,050	May 10	Cash.........	(4)	$6,000
				Aug. —	Profit—coal...	(16)	4,550
				—	Profit—timber	(18)	500
			$11,050				$11,050

Coal Sales

1924				1924			
Aug. —	P. & L........	(15)	$35,000	May —	....	(7)	$35,000

Timber Purchases

1924				1924			
May —	....	(8)	$35,000	Aug. —	P. & L........	(17)	$35,000

Timber Sales

1924				1924			
Aug. —	P. & L........	(17)	$39,000	July —	....	(10)	$32,000
				Aug. 10	Brown.......	(12)	7,000
			$39,000				$39,000

Accounts Receivable

1924				1924			
July	Timber sales...	(10)	$32,000	Aug. 2	Cash.........	(11)	$32,000

Earned Discount on Notes Payable

1924				1924			
Aug. —	P. & L........	(15)	$100	Aug. 13	....	(14)	$100

Profit and Loss—Coal Venture

1924				1924			
Aug.—	Purchases.....	(15)	$20,000	Aug.—	Sales.........	(15)	$35,000
	Freight, etc....	(15)	6,000		Discount.....	(15)	100
	Profit—Brown	(16)	4,550				
	Profit—Green	(16)	4,550				
			$35,100				$35,100

Profit and Loss—Timber Venture

1924				1924			
Aug.—	Purchases.....	(17)	$35,000	Aug.—	Sales.........	(17)	$39,000
	Freight.......	(17)	3,000				
	Profit—Brown	(18)	500				
	Profit—Green	(18)	500				
			$39,000				$39,000

Statement of Application of Funds

Readers of this department may recall that some space has been devoted in recent issues to the question of the statement of application of funds. Some differences of opinion were expressed, but on one point at least there was complete accord; namely, the hope that suggested forms might be suggested by readers of The Journal of Accountancy which would be an improvement upon the traditional form of the statement.

The editor is glad to be able to print in this issue two letters dealing with this subject, and regrets that their publication has necessarily been delayed for several months while the space in this department was devoted to solutions to the Institute examination questions. As it is desired that any further discussion of this subject shall not be in any sense controversial, it has seemed to the editor advisable to omit any editorial comments on the suggested forms. Further communications on the subject will be welcomed.

The first of the following letters was addressed to the editor of The Journal of Accountancy and was submitted before the appearance in the *Students' Department* of the invitation for communications on the subject.

Editor, *The Journal of Accountancy:*

Through an article in the May 1925 issue of The Journal of Accountancy, commencing on page 424, by Paul-Joseph Esquerré, attention is directed to a problem which was submitted at the C. P. A. examination on May 18, 1921 and for which a solution by H. A. Finney (editor of your *Students' Department*) appeared on page 64 (et seq.) of the Journal for July 1921.

The requirements of the problem were, "Prepare a statement of resources and their application for the twelve months ended December 31, 1920, using the following data."

There was appended at this point a comparative balance-sheet together with other information quoted below.

"Following is an abstract of the surplus account:

"Balance January 1, 1920..................................	$23,600
"Add net profit for 1920..................................	8,950
"Add appraisal increase in land..........................	30,000
"Total..	$62,500

"Deduct credit to reserve for construction	$4,000	
"Deduct dividends paid December 31, 1920	15,000	19,000
"Balance, December 31, 1920		$43,550

"Depreciation was provided during the year as follows:

"Credited to reserve for depreciation, buildings and machinery	$10,000
"Written off from tools	5,000
"Written off from patents	2,000

"During the year machinery which cost $7,000 was sold for $6,000. The loss was absorbed in the reserve for depreciation."

To avoid a repetition of account titles and balances and thus save space, the balance-sheet in its original form is here omitted, and the same titles and balances are herein combined in the form that here follows in order to furnish such information as is hereinafter referred to.

Comparative Balance-sheet Statement A

	Dec. 31, 1919	Dec. 31, 1920	Decrease	Increase
Assets				
Cash	$5,000	$1,800	$3,200	
Accounts receivable	30,000	32,000		$2,000
Raw material	12,000	14,500		2,500
Goods in process	16,000	17,500		1,500
Finished goods	21,000	19,000	2,000	
Land	70,000	100,000		30,000
Buildings	115,000	170,000		55,000
Machinery	90,000	100,000		10,000
Tools	26,000	23,000	3,000	
Patents	30,000	28,000	2,000	
Discount on bonds		2,000		2,000
Investment in stocks	25,000		25,000	
Advances to salesmen	500	1,000		500
Unexpired insurance	300	250	50	
Total assets (f)	$440,800	$509,050	$35,250	$103,500
Valuation Reserves				
Reserve for depreciation	20,000	29,000		9,000
Reserve for bad debts	1,200	1,500		300
(g)	$21,200	$30,500		$9,300
Liabilities				
Accounts payable	$35,000	$10,000	$25,000	
Notes payable	25,000	5,000	20, 000	
Bank loans	20,000		20, 000	
Bonds payable	200,000	300,000		100,000
Total liabilities (h)	$280,000	$315,000	$65,000	$100,000
Proprietary Interests				
Capital stock	$100,000	$100,000		
Surplus	23,600	13,550	$10,050	
Surplus from appreciation		30,000		30,000
Reserve for construction	16,000	20,000		4,000
Total (i)	$139,600	$163,550	$10,050	$34,000

Recapitulation

	Dec. 31, 1919	Dec. 31, 1920	
Total assets (f) above..........	$440,800	$509,050	
Less valuation reserves (g) above..................	21,200	30,500	
Depreciated assets.........	$419,600	$478,550	
Total liabilities (h) above......	280,000	315,000	
Net assets (i) above.......	$139,600	$163,550	$23,950 Net increase

NOTE.—The proprietary interests shown at (i) above correspond in amount with the net assets shown under "recapitulation."

Let me here interpolate that it is not the purpose of this article to hold strictly to the requirements of the problem; but rather, by using all of the information contained therein, to bring out some of the possibilities of similar conditions, and refer to ideas which the matter so far published regarding it, have suggested.

The problem calls for "*a statement of resources and their application,*" which is not an unusual way of handling such matters, but would not the form in which the question is worded indicate—literally—that the application of *all* resources was asked for? Have either of the solutions given, met these requirements? It is herein submitted that they have not.

As one example of failure to show how some of the resources have been applied, let us consider the item of cash. Cash is not only a resource but one of the most important, and yet the application of the total that was available throughout the year has received no consideration whatever except in the amount of $3,200, which represents the variation between the opening and the closing balance of this account. It is however, a reasonable conclusion that cash was applied in large amounts to the reduction of liabilities as well as to the increase of certain assets, and while cash may be considered as only a medium of exchange, it was in fact a *resource applied* in various important ways. Other cases wherein the book values may have possibly been changed during the year are those through entries which may have affected assets or liabilities, or assets and liabilities, and which may also have been of considerable importance. Such matters as the foregoing have not been explained through the statements which indicate through their titles that they show the *application of all resources.*

Objections are therefore offered to the usual form of putting such questions, which call for information that is practically impossible to completely explain, in addition to the lack of value that such information would have even if it were given complete.

Viewing such cases from the standpoint of the client, it is herein contended that it would be of more interest to him to know through a statement of facts, the manner in which his *profits* have been applied, and in *what amount his various assets and liabilities have increased or decreased* in their closing balances; all of which it is possible to determine.

In a continuous experience of twenty-four years in public accounting the writer has never made use of such a form of statement as the question at issue calls for, and has so avoided it for the reason that he would not expect the average client to understand it, and also because he believed that so many variations were possible in its making that it was of somewhat doubtful requirements. The variation shown in the two solutions so far given by prominent accountants would seem to verify the above conclusion.

Another objection here offered relates to the classification of items and the use of certain terms.

In the original question and the solution by Mr. Finney there is included under the caption of "liabilities", accounts representing reserves, capital stock and surplus. Why introduce the feature of perversion in the use of words which have such a definite meaning? Neither reserves, capital stock, nor surplus represent liabilities. They do not call for payment, nor are they subject to collection; while even the particular reserves so included as liabilities are not of the same nature. The ones who so use them will doubtless agree with me that they are not liabilities simply because they are credit balances.

Referring now to your editor's solution in the July 1921 issue of the JOURNAL and his "schedule of working capital". He has overlooked the fact that while the listed assets and liabilities have increased and decreased as therein stated, there was also introduced an item of $300 during the period to provide for bad accounts, as a credit to reserve for bad debts. When this is considered as a valuation reserve, which it is, the working capital would show an increase of $65,500 instead of $65,800 as there stated.

Under "funds provided" in his statement of application of funds, would it not be reasonable to enquire how depreciation and provision for bad debts of $17,300 had resulted in the creation of any funds which could be applied to purchases as there shown below? And in the same section there is shown funds provided from the issue of bonds of $98,000 when inasmuch as the $2,000 discount has been capitalized, they produced, theoretically, $100,000.

To both solutions referred to there seems to be one general objection, and that is that neither of them demonstrate a consecutive line of reasoning from start to finish, calculated to connect one statement with the one that follows, and thus prove all conclusions.

Both solutions, under "application of funds" include $8,950 as "net profits *before* providing for depreciation and bad debts". My opinion is that this net profit was arrived at *after* the named provisions had been made.

If such statements were submitted to the average client it is doubtful whether they would understand, appreciate or derive any information from them of practical value.

The principles which the writer herein recommends for presenting statements to cover the possibilities of such problems are applied in a way to answer the following questions:

1st. How have the *net profits* been applied? and

2nd. How have the *net assets* been affected?

This, I believe, is a more reasonable question and one which can be strictly complied with and also furnish more interesting information of value.

The preceding statement A is so made as to show first—the assets; second, the valuation reserves; third, the liabilities; and fourth, the proprietary interests. Following these sections a "recapitulation" shows total assets, depreciated assets, liabilities, and net assets.

Such a statement is submitted as being more intelligible to the average client by showing in one item the amount of his net capital, instead of confusing with such a statement the proprietary account balances, which in themselves furnish the same information in net capital. Being here presented in comparative form, the differences between the opening and closing balances are made use of in statement B, which here follows:

Statement B

To determine the final net increase of net assets

Deferred charges Net increase	Section 1		
Assets increased			
Advances to salesmen....................			$500
Assets decreased			
Unexpired insurance.....................			50
Net increase (a)................			$450
Fixed assets Net increase	Section 2		
Assets increased			
Land, through appraisal..................			$30,000
Buildings purchased.....................		$55,000	
Machinery purchased....................		17,000	
		$72,000	

Machinery sold for	$6,000		
Loss on sale	1,000		
Credited machinery acct.	$7,000	7,000	
		$65,000	
Depreciation B. & M.	$10,000		
Loss charged depreciation reserve	1,000		
Net credit to reserve	$9,000	9,000	
Net increase in B. and M.		$56,000	56,000
Total increase			$86,000
Assets decreased			
Tools written off (decrease)		$5,000	
Tools purchased (increase)		2,000	
Decrease		$3,000	3,000
Net assets increased (b)			$83,000
Working capital Net increase	Section 3		
Liabilities decreased			
Accounts payable		$25,000	
Notes payable		20,000	
Bank loans		20,000	
Net assets increased		$65,000	
Assets increased			
Accounts receivable	$2,000		
Less reserve	300		
Net increase	$1,700		
Raw material	2,500		
Goods in process	1,500		
	$5,700	5,700	
Increased		$70,700	70,700
Assets decreased			
Cash		$3,200	
Finished goods		2,000	
Decreased		$5,200	5,200
Net assets increased (c)			$65,500
Miscellaneous accounts Decreased	Section 4		
Assets decreased			
Patents (amortized)			$2,000
Investment in stocks (sold)			25,000
Decreased			$27,000
Liabilities increased			
Bonds payable Assets decreased			100,000
			$127,000
Assets increased			
Discount on bonds capitalized			2,000
Net assets decreased (d)			$125,000

Recapitulation	Section 5	
Net assets increased		
Deferred charges	Sec. 1 (a) above.......	$450
Fixed assets	" 2 (b) "	83,000
Working capital	" 3 (c) "	65,500
		$148,950
Net assets decreased.......................		
Miscellaneous accts.	Sec. 4 (d) above.....	125,000
Net increase of net assets	(e)......	$23,950

The preceding statement B handles the balance-sheet items in group accounts on the principle of assets being increased and decreased in themselves, and as being increased by the decrease in liabilities, and decreased by the increase in liabilities. The net increase shown under "recapitulation," by corresponding in amount with item (i) in statement A illustrates the balancing feature of these two statements.

Regarding Mr. Esquerré's solution, I cannot understand how a net increase of corporate wealth is shown as $18,250, when as herein shown in statement A, the net assets

at Dec. 31, 1920, were.......................	$163,550
and at Dec. 31, 1919, they were...............	139,600
or a net increase of.........................	$23,950

In conclusion, statement C which here follows, combines items from preceding statements in a way that shows how the net profits were applied to the increases of net assets as well as the true reserves. In statements made for analysis of such conditions as the problem offers, it is submitted that more information subject to proof may be obtained from such forms as are herein offered.

It is shown below that the $4,000 item transferred from surplus must have increased a prior reserve as an appropriation of surplus, and that the $30,000 for appreciation of land is shown as a special account as items of this kind should not be carried among items available for dividend.

Statement C

Analysis of surplus made to show disposition of net profit

Balance of surplus at December 31, 1919........		$23,600
Net profits from operations....................	$8,950	
Profit from appraisal of land..................	30,000	
Total net profit year 1920.................	$38,950	
Applied to payment of dividends...............	15,000	
Balance retained in business which resulted in increase of surplus.....................	$23,950	23,950

Memo:

The items which resulted in increasing surplus as above, and also in a corresponding net increase in net assets, by their retention in the business, were the following:

Deferred charges increased (Item (a) statement B)..................	$450
Fixed assets increased (Item (b) statement B).......................	83,000
Working capital increased (Item (c) statement B)..................	65,500
	$148,950

Miscellaneous accounts decreased (Item (d) statement B)	125,000		
Net increase of net assets through profits retained in business	$23,950	23,950	(Item (i) st. A) (Item (e) st. B)
To be further accounted for			$47,550
Transferred to a "reserve for construction" account		$4,000	
Transferred to a "surplus from appraisal" account		30,000	$34,000
Balance of surplus available for dividends....			$13.550

(It is not here intended to mean that items under "memo" would be shown in surplus account in the books.)

Proof in explanation of final balances of proprietary accounts

Balance "reserve for construction" before making above transfer to this account...	$16,000
Add amount transferred from surplus as above	4,000
Closing balance of this account	$20,000
New account for "surplus from appraisal"...	30,000
Balance of surplus available for dividends—above	13,550
Total surplus and true reserves	$63,550
Add capital stock account	100,000
Invested capital 12/31/20 or net assets per statement A	$163,550

It is not intended to be hypercritical in the foregoing; but simply to accept the invitation offered in the very interesting article by Mr. Esquerré, to discuss the question in the interest of the "truth and sacredness" of "our beloved theory of accounting." I trust that all criticisms herein contained may be accepted in the same kindly spirit with which they are written.

C. E. Freeman.

Indianapolis, Indiana.

Editor, Students' Department:

The enclosed form of "statement of resources and their application" [see page 313] is submitted in accordance with the invitation included in your article appearing in the June, 1925, Journal.

I have used the problem which has been the subject under discussion in your section of recent issues of the Journal.

The reserve for bad debts I have deducted from accounts receivable, on the assumption that it was provided to meet anticipated losses.

The charge to reserve for depreciation for the difference between cost of and amount realized for machinery sold, I have assumed represents the amount of accruals on the particular machinery disposed of.

I do not know what the examiners had in mind when submitting this and similar problems. But it seems reasonable to assume that more was expected than a statement of funds obtained during a stated period, the sources from which derived, and their application.

The annexed statement has been prepared on the theory that "resources" and "funds" are not synonymous terms. I believe "resources" may be said to include investments in physical assets and other long term investments as well as working capital. If this is a sound theory then the shareholders' equity would seem to be the net resources of the business.

The resources then would not only be affected by new funds coming into the business, and their application, but by the so-called book transactions recorded during the period to reflect the increases and decreases in the investments due to depreciation, appreciation and other accruals not involving funds of the period.

I make no claim that the statement herewith submitted is complete without being supplemented with a schedule of working capital. With the facts given by the examiners in connection with the problem and a schedule of working capital, I believe the average business executive could readily comprehend a statement prepared in form something like the attached.

Owing to lack of uniformity in accounting terminology, it will, in my opinion, require considerable effort before a standard form of a "statement of resources and their application" is generally adopted.

Yours very truly,

GUY BARTLEY.

Washington, D. C.

The Hall Manufacturing Company

Statement of resources and their application for the 12 months ended December 31, 1924

	Balance-sheet 12-31-1919	Balance-sheet 12-31-1920	Increase	Resources Increased	Resources Decreased	Funds Applied	Funds Provided	Book transactions Debits	Book transactions Credits
Investments									
Long-term investments									
Investment in plant:									
Land	$70,000.00	$100,000.00		$30,000.00				$30,000.00	
Buildings	115,000.00	170,000.00		55,000.00		$55,000.00			
Machinery	90,000.00	100,000.00		10,000.00		17,000.00	$6,000.00		$1,000.00
Tools	26,000.00	23,000.00			$3,000.00	2,000.00			5,000.00
Patents	30,000.00	28,000.00			2,000.00				2,000.00
Reserve for depreciation, buildings and machinery	*20,000.00*	*29,000.00*		*9,000.00*				*10,000.00*	*1,000.00*
Total investment in plants	$311,000.00	$392,000.00							
Investment in securities:									
Stocks	$25,000.00				25,000.00		25,000.00		
Unamortized debt discount:									
Discount on bonds		$2,000.00		2,000.00				2,000.00	
Total long term investments	$336,000.00	$394,000.00	$58,000.00						
Investment in working capital									
Working assets	$83,600.00	$84,550.00							
Less working liabilities	80,000.00	15,000.00							
Working capital	$3,600.00	$69,550.00	65,950.00	65,950.00		66,250.00			300.00
Total investments	$339,600.00	$463,550.00	$123,950.00						
Equity									
Bond holders									
Long term debt:									
Bonds payable	$200,000.00	$300,000.00	$100,000.00		100,000.00		98,000.00		2,000.00
Shareholders									
Capital stock	100,000.00	100,000.00							
Surplus:									
Earned surplus	39,600.00	33,550.00				15,000.00	26,250.00	17,300.00	
Surplus from appreciation of land		30,000.00							30,000.00
Total share holders equity	$139,600.00	$163,550.00	23,950.00						
Total equity	$339,600.00	$463,550.00	$123,950.00			$155,250.00	$155,250.00	$39,300.00	$39,300.00
Increase in resources, evidenced by increase in shareholders' equity					23,950.00				
				$153,950.00	$153,950.00				