**Problem**

 1. A friend of yours has prepared the following balance sheet for his bicycle shop but it has a problem. He thought his total assets did not reflect the assets available to the firm. He has asked you to take a look at this balance sheet and help him out.

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| Eric's Bike Shop, Inc.**Balance Sheet**As of December 31, Year 1 |
| **Assets** |  |
| Current Assets: |  |
|      Cash | $15,000  |
|      Merchandise Inventory | 30,000  |
|      Merchandise Sold, at cost | 37,500  |
|      Prepaid Insurance | 1,000  |
|      Advance from Customer |   (1,000) |
|           Total Current Assets | $82,500  |
| Property, Plant, and Equipment: |  |
|      Equipment | 8,000  |
|      Less Note Payable |   (5,000) |
| Total Assets | $85,500  |

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| **Liabilities and Shareholders' Equity** |  |
| Current Liabilities: |  |
|      Bike Sales | $55,000 |
|      Accounts Payable | 2,000 |
|      Accumulated Depreciation | 700 |
|      Rent Payable |     1,000 |
|           Total Current Liabilities | $58,700 |
| Shareholders' Equity: |  |
|      Common Stock 1,000 shares at $10 par value | $10,000 |
|      Additional Paid-in Capital | 7,500 |
|      Retained Earnings |     9,300 |
|           Total Shareholders' Equity | $26,800 |
| Total Liabilities and Shareholders' Equity | $85,500 |

**Required:**

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|  | Prepare a corrected balance sheet for Eric's Bike Shop, Inc. |