P 13-4. For Mary Lou and Ernie, the assets and liabilities and the effective income tax rates at December 31, 2006, follow:

Accounts	Tax Bases	Estimated Current Value	Excess of Estimated Current Values over Tax Bases	Effective Income Tax Rates	Amount of Estimated Income Taxes
Cash	$ 20,000	$ 20,000	$ —	—	
Marketable securities	80,000	100,000	20,000	28%	
Options	-0-	30,000	30,000	28%	
Residence	100,000	150,000	50,000	28%	
Royalties	-0-	20,000	20,000	28%	
Furnishings	40,000	20,000	(20,000)	—	
Auto	20,000	15,000	(5,000)	—	
Mortgage	(70,000)	(70,000)	—	—	
Auto loan	(10,000)	(10,000)	—	—	

Required

a. Compute the estimated tax liability on the differences between the estimated current value of the assets and liabilities and their tax bases.

b. Present a statement of financial condition for Mary Lou and Ernie at December 31, 2006.

c. Comment on the statement of financial condition.