Accounting – Project 1 -Finding errors in a Balance Sheet

Make a list of errors sheet reported incorrectly on this balance sheet (misclassifications, lack of adequate disclosure, and poor terminology). Do not list the arithmetic errors or redo the balance sheet. Then list the corrections needed, how it should be shown, and category as it should be.

West Corporation

Balance Sheet

For the year ended December 31, 2010

Assets

Current Assets:

 Cash $18,000

 Trading securities (fair value, $32,000) 27,000

 Accounts receivable 75,000

 Merchandise inventory 60,000

 Supplies inventory 3,000

 Stock investment in subsidiary company 60,000 $234,000

Do

Investments:

 Treasury stock 78,000

Tangible Fixed Assets:

 Building and land 213,000

 Less: Reserve for depreciation 60,000 153,000

Deferred Charges:

 Unamortized discount on bonds payable 3,000

Other Assets:

 Cash surrender value of life insurance 54,000

 $531,00

Liabilities and Capital

Current Liabilities:

 Accounts payable $45,000

 Reserve for income taxes 42,000

 Customer’s accounts with credit balances 3 $87,003

Long-term Liabilities:

 Bonds payable 120,000

 Total Liabilities 207,003

Capital Stock:

 Capital stock 225,000

 Earned surplus 74,997

 Cash dividends declared 24,000 323,997

 $531,000