**Chapter 10&11 Comprehensive Final (Intermediate Accounting ACCT 3201-Spring 2016)**

(1) Rembrandt Paint Company had the following income statement items for the year ended December 31, 2016 ($ in 000s):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| Net sales | $ | 21,000 | Cost of goods sold | $ | 12,000 |
| Interest income |  | 230 | Selling and administrative expenses |  | 2,800 |
| Interest expense |  | 410 | Restructuring costs |  | 1,100 |
|  | | | | | |

In addition, during the year the company completed the disposal of its plastics business and incurred a loss from operations of $1.9 million and a gain on disposal of the component’s assets of $2.6 million. 600,000 shares of common stock were outstanding throughout 2016. Income tax expense has not yet been recorded. The income tax rate is 40% on all items of income (loss).

Required:

Prepare a multiple-step income statement for 2016, including EPS disclosures. (Amounts to be deducted should be indicated with a minus sign. Enter your answers in thousands except earnings per share. Round EPS answers to 2 decimal places.)

(2) Presented below are the 2016 income statement and comparative balance sheets for Santana Industries.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| SANTANA INDUSTRIES Income Statement For the Year Ended December 31, 2016 ($ in thousands) | | | | |
| Sales revenue | $ | 17,250 |  |  |
| Service revenue |  | 6,400 |  |  |
|  |  |  |  |  |
| Total revenue |  |  | $ | 23,650 |
| Operating expenses: |  |  |  |  |
| Cost of goods sold |  | 8,700 |  |  |
| Selling |  | 3,900 |  |  |
| General and administrative |  | 3,000 |  |  |
|  |  |  |  |  |
| Total operating expenses |  |  |  | 15,600 |
|  |  |  |  |  |
| Operating income |  |  |  | 8,050 |
| Interest expense |  |  |  | 350 |
|  |  |  |  |  |
| Income before income taxes |  |  |  | 7,700 |
| Income tax expense |  |  |  | 4,000 |
|  |  |  |  |  |
| Net income |  |  | $ | 3,700 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Balance Sheet Information ($ in thousands) | Dec. 31, 2016 | | | Dec. 31, 2015 | | |
|  |  | | |  | | |
| **Assets:** |  |  |  |  |  |  |
| Cash | $ | 8,850 |  | $ | 3,550 |  |
| Accounts receivable |  | 5,500 |  |  | 3,700 |  |
| Inventory |  | 7,000 |  |  | 4,500 |  |
| Prepaid rent |  | 300 |  |  | 600 |  |
| Plant and equipment |  | 17,500 |  |  | 15,000 |  |
| Less: Accumulated depreciation |  | (6,600 | ) |  | (6,000 | ) |
|  |  |  |  |  |  |  |
| Total assets | $ | 32,550 |  | $ | 21,350 |  |
|  |  |  |  |  |  |  |
| **Liabilities and Shareholders’ Equity:** |  |  |  |  |  |  |
| Accounts payable | $ | 4,400 |  | $ | 2,600 |  |
| Interest payable |  | 250 |  |  | 0 |  |
| Deferred service revenue |  | 1,100 |  |  | 750 |  |
| Income taxes payable |  | 700 |  |  | 1,100 |  |
| Loan payable (due 12/31/2015) |  | 8,000 |  |  | 0 |  |
| Common stock |  | 11,500 |  |  | 11,500 |  |
| Retained earnings |  | 6,600 |  |  | 5,400 |  |
|  |  |  |  |  |  |  |
| Total liabilities and shareholders' equity | $ | 32,550 |  | $ | 21,350 |  |

Additional information for the 2016 fiscal year ($ in thousands):

1. Cash dividends of $2,500 were declared and paid.
2. Equipment costing $7,000 was purchased with cash.
3. Equipment with a book value of $2,000 (cost of $4,500 less accumulated depreciation of $2,500) was sold for $2,000.
4. Depreciation of $3,100 is included in operating expenses.

Required:

Prepare Santana Industries' 2016 statement of cash flows, using the indirect method to present cash flows from operating activities. (Amounts to be deducted should be indicated with a minus sign. Enter your answers in thousands.)

(3) Presented below is the balance sheet for HHD, Inc., at December 31, 2016.

|  |
| --- |
|  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |
| Current assets | $ | 672,000 |  | Current liabilities | $ | 472,000 |  |
| Investments |  | 554,000 |  | Long-term liabilities |  | 614,000 |  |
| Property, plant, and equipment |  | 2,504,000 |  | Shareholders' equity |  | 2,880,000 |  |
| Intangible assets |  | 236,000 |  |  |  |  |  |
| Total assets | $ | 3,966,000 |  | Total liabilities and shareholders' equity | $ | 3,966,000 |  |

The captions shown in the summarized statement above include the following:

1. Current assets: cash, $168,000; accounts receivable, $218,000; inventories, $243,000; and prepaid insurance, $43,000.
2. Investments: investments in common stock, short term, $108,000, and long term, $178,000; and restricted cash, long term, $268,000.
3. Property, plant, and equipment: buildings, $1,680,000 less accumulated depreciation, $618,000; equipment, $680,000 less accumulated depreciation, $218,000; and land, $980,000.
4. Intangible assets: patent, $128,000; and copyright, $108,000.
5. Current liabilities: accounts payable, $118,000; notes payable, short term, $168,000, and long term, $108,000; and taxes payable, $78,000.
6. Long-term liabilities: bonds payable due 2021.
7. Shareholders’ equity: common stock, $1,900,000; retained earnings, $980,000. Four hundred thousand shares of no par common stock are authorized, of which 380,000 shares were issued and are outstanding.

Required:

Prepare a corrected classified balance sheet for HHD, Inc., at December 31, 2016. (Amounts to be deducted should be indicated by a minus sign.)