

Precious Memories Balance Sheet

Betty's photography business has done extremely well, in fact quite a bit better than she expected since starting the business last fall. She currently has a part-time receptionist and photographer each working about 20-25 hrs. per week. The business has grown to the point where she now needs both her employees to work full-time. Expanding the business will also require Betty to make significant investments in new equipment.

Betty has already spent most of the \$25,000 she transferred to the business from her personal savings. She has charged an additional \$20,000, mostly in business expenses on her credit cards at an average of 15% interest. She has approached her bank for a loan of \$50,000 to purchase equipment, pay off the credit cards, and create a reserve capital fund for additional operating expenses she expects over the next 6 months.

Betty's bank has requested that she include several financial statements along with her loan application including an "Accrual Based" Balance sheet. Betty operates as a sole proprietor and her bookkeeper has set her up on a "cash basis" accounting method for tax purposes. Betty reviewed her business checkbook register, all her recent receipts, the general ledger, and the current bills she needs to pay. After going over all these she comes to you seeking help. Use the following information supplied by Betty to complete her accrued balance sheet:

Reconciled balance in business checking account on 9/30/11	\$2,253
Equipment Balance from year-end balance sheet 12-31-10	\$12,331
Customer Services billed still unpaid	\$8,350
Accumulated Depreciation from 12-31-10 balance sheet	\$2,450
Rebate due from Nikon for new camera purchased on 9/23/11	\$500
Receipt for new office furniture purchased by check on 9/19/11	\$6,000
Supplies in inventory as of 9/30/11	\$5,500
Services provided, yet to be billed for Sept '11	\$3,650
Insurance paid on 9/1/11 for Sept 1 '11-Aug 31 '12	\$1,200
Bill from Pete's Painting due 10/8/11	\$2,000
Processing supplies account payment due 10/10/11	\$1,500
Visa: \$175 min payment due 10/9/11 - balance owed on statement	\$8,500
Master Card: \$190 min payment due 10/15/11 - balance owed on statement	\$11,500
Receipt for legal services paid by check 9/21/11	\$2,000
Deposits made to checking account from 8/01/11 - 9/30/11	\$31,563
Wages owed 9/16 - 9/30/11 to be paid on 10/07/11	\$780
Total of personal draws from business made on 8/25/11 and 9/25/11	\$5,500
Receipt for Camera and Processing equipment purchased with M/C on 8/23/11	\$2,500
Sales Tax payment owed to State of Ca. payment due 10/15/11	\$836
Cash in safe at the studio 10/5/11	\$547
Supplies ordered - due to arrive C.O.D. on 10/07/11	\$1,540

Complete the "Accrual" work sheet that follows.

(Accrual method- Post income when earned and expenses when incurred)

(Cash method- Post income when received and expenses when paid)