

Beginning and end of year balance sheets for Jensen Corporation follow. Also shown is the income statement for 20X6. No investments were sold during the year, however, stock in Delta Corporation was acquired on August 15, 20X6. Dividends of \$50,000 were received on each of the investments in Alpha and Beta.

Form a four-person team. Assign each team member to one of the investments - Alpha, Beta, Delta, or Gamma. Team members should examine the financial reports that follow and prepare an explanation of the activity and accounting for their specifically assigned investment. Then, the team should meet and each member present their explanation to the remainder of the group.

JENSEN CORPORATION			
Balance Sheet			
January 1, 20X6			
Assets			
Current assets			
Cash	\$	34,500	
Accounts receivable		145,667	
Trading security investment in Alpha		<u>500,000</u>	\$ 680,167
Long-term Investments			
Equity method investment in Beta	\$	800,000	
Investment in Gamma Bonds		<u>842,000</u>	1,642,000
Property, plant & equipment			
Equipment (net of accumulated depreciation)			<u>1,455,008</u>
Total assets			<u><u>\$ 3,777,175</u></u>
Liabilities			
Current liabilities			
Accounts payable	\$	56,000	
Utilities payable		<u>18,690</u>	\$ 74,690
Long-term liabilities			
Loan payable			<u>660,500</u>
Total liabilities			\$ 735,190
Stockholders' equity			
Capital stock	\$	2,601,585	
Retained earnings		<u>440,400</u>	
Total stockholders' equity			<u>3,041,985</u>
Total Liabilities and equity			<u><u>\$ 3,777,175</u></u>

JENSEN CORPORATION			
Balance Sheet			
December 31, 20X6			
Assets			
Current assets			
Cash	\$	78,689	
Accounts receivable		83,442	
Trading security investment in Alpha		<u>510,000</u>	\$ 672,131
Long-term Investments			
Equity method investment in Beta	\$	830,000	
Available for sale investment in Delta		675,000	
Investment in Gamma Bonds		<u>844,000</u>	2,349,000
Property, plant & equipment			
Equipment (net of accumulated depreciation)			<u>1,215,000</u>
Total assets			<u>\$ 4,236,131</u>
Liabilities			
Current liabilities			
Accounts payable	\$	272,806	
Utilities payable		<u>19,435</u>	\$ 292,241
Long-term liabilities			
Loan payable			<u>645,000</u>
Total liabilities			\$ 937,241
Stockholders' equity			
Capital stock	\$	2,601,585	
Retained earnings		722,305	
Accumulated other comprehensive income/loss		<u>(25,000)</u>	
Total stockholders' equity			<u>3,298,890</u>
Total Liabilities and equity			<u>\$ 4,236,131</u>

JENSEN CORPORATION			
Income Statement			
For the year ending December 31, 20X6			
Revenues			
Net sales			\$ 2,000,900
Expenses			
Cost of goods sold	\$	800,500	
Selling		244,700	
General & administrative expenses		675,000	
Interest expense		40,000	
Investment income			
Interest income	\$	53,000	
Equity method income		80,000	
Unrealized gain/trading securities		10,000	
Dividend income	<u>50,000</u>	<u>(193,000)</u>	<u>1,567,200</u>
Income before taxes			\$ 433,700
Income tax expense			<u>151,795</u>
Net income			<u>\$ 281,905</u>