

Skousen Exploration Corporation was formed on January 1, 20X3. The company was formed by Cliff and Chris Skousen with the goal of conducting geophysical support services related to natural gas drilling operations in the Uinta Basin region of eastern Utah. The company's initial capitalization consisted of shareholder investments of \$1,000,000 and an additional bank loan of \$750,000.

During the first year of operation, the company purchased land, buildings, and equipment in the amount of \$200,000, \$500,000, and \$300,000, respectively. (Hint: In subsequent chapters you will be introduced to the concepts of depreciation relating to certain of these assets; for now you may ignore this issue).

During 20X3, the company signed contracts to deliver consulting services with a total value of \$2,500,000. By year's end, \$1,600,000 of services had been provided and billed under these agreements. The remaining \$900,000 of work will not be performed until 20X4. All amounts billed had been collected during 20X3, with the exception of December's billings in the amount of \$125,000. The Skousen's are quite confident that the December billing will be collected in the normal course of business in early 20X4.

Expenses paid during 20X3 included rent (\$140,000), wages (\$780,000), interest (\$75,000), and taxes (\$215,000). In addition, the company had incurred rent (\$10,000), wages (\$30,000), and interest (\$6,000) related to 20X3 activity that was not yet paid as of the end of 20X3.

Skousen Exploration declared and paid dividends to shareholders in the amount of \$75,000 during 20X3. Skousen also repaid \$50,000 of the original bank loan.

- (a) Prepare an income statement for Skousen Exploration Corporation for the year ending December 31, 20X3.
- (b) Prepare a statement of retained earnings for Skousen Exploration Corporation for the year ending December 31, 20X3.
- (c) Prepare calculations showing that cash is \$890,000 as of December 31, 20X3.
- (d) Prepare a balance sheet for Skousen Exploration Corporation as of December 31, 20X3.