

Beginning and end-of-year balance sheets for Jensen Corporation follow. Next 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. Interest of \$51,000 (cash portion) was received on the Gamma bonds and interest of \$20,000 was earned on the Delta debt.

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

JENSEN CORPORATION
Balance Sheet
January 1, 20X6

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

JENSEN CORPORATION
Balance Sheet
December 31, 20X6

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

JENSEN CORPORATION
Statement of Comprehensive Income
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	695,000		
Interest expense	40,000		
Investment income			
Interest income	\$73,000		
Equity method income	80,000		
Unrealized gain/trading securities	10,000		
Dividend income	<u>50,000</u>	<u>(213,000)</u>	<u>1,567,200</u>
Income before tax			\$ 433,700
Income tax expense			<u>151,795</u>
Net income			\$ 281,905
Unrealized loss - other comprehensive income			<u>(25,000)</u>
Comprehensive income			<u>\$ 256,905</u>