

Microline Corporation
Balance Sheets
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash	\$ 1,200	\$ 1,100
Short-term investments in equity securities	2,500	1,000
Accounts receivable (net)	5,700	3,650
Inventory	6,750	5,250
Prepaid interest expense	350	750
Total current assets	<u>\$16,500</u>	<u>\$11,750</u>
Investment in affiliate	6,000	5,000
Land	7,500	6,000
Property, plant, and equipment	20,000	17,500
Less: Accumulated depreciation	(4,000)	(3,000)
Goodwill	5,250	5,250
Total assets	<u>\$51,250</u>	<u>\$42,500</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 4,000	\$ 3,000
Dividends payable	1,500	1,000
Miscellaneous payables	1,500	1,500
Unearned rent revenue	6,000	7,000
Total current liabilities	<u>\$13,000</u>	<u>\$12,500</u>
Long-term notes payable	14,500	7,500
Common stock	12,500	12,500
Accumulated unrealized revaluations on equity inv.	250	0
Retained earnings	11,000	10,000
Total liabilities and shareholders' equity	<u>\$51,250</u>	<u>\$42,500</u>

at \$2,000 and \$750 as of December 31, 2011 and 2010, respectively. The available-for-sale securities consists of 50,000 common shares of Acme Inc. that were held throughout 2011. During 2011, equity investments classified as trading securities were actively traded, and related sales generated \$1,000 in cash.

ACCOUNTS RECEIVABLE. The allowance for bad debts was \$400 and \$350 as of December 31, 2011 and 2010, respectively. Microline estimates bad debts as a percentage of credit sales.

INVENTORY. Microline carries inventories using the LIFO cost flow assumption and the lower-of-cost-or-market method. The LIFO reserve was \$1,400 and \$1,250 as of December 31, 2011 and 2010, respectively.

EQUITY INVESTMENTS. Microline acquired 40 percent of the outstanding voting stock of Ellery Incorporated, a highly leveraged financial institution, at the beginning of 2010. The corporation paid an amount equal to 40 percent of Ellery's book value at the