You Be the Consultant

All Is Not Paradise in Eden's Garden: Part 1

Joe and Kaitlin Eden, co-owners of Eden's Garden, a small nursery, lawn, and garden supply business, have just received their year-end financial statements from their accountant. At their last meeting with their accountant, Shelley Edison, three months ago, the Edens had mentioned that they seemed to be having trouble paying their bills on time. "Some of our suppliers have threatened to put us on 'credit hold,'" said Joe.

Balance Sheet, Eden's Garden

Assets		
Current Assets		
Cash		$6,457
Accounts Receivable	$29,152	
Less Allowance for Doubtful Accounts	$3,200	$25,952
Inventory		$88,157
Supplies		$7,514
Prepaid Expenses		$1,856
Total Current Assets		$129,936
Fixed Assets		
Land		$59,150
Buildings	$51,027	
Less Accumulated Depreciation	$2,061	$48,966
Autos	$24,671	
Less Accumulated Depreciation	$12,300	$12,371
Equipment	$22,375	
Less Accumulated Depreciation	$1,250	$21,125
Furniture and Fixtures	$10,295	
Less Accumulated Depreciation	$1,000	$9,295
Total Fixed Assets		$150,907
Intangibles (Goodwill)		$0
Total Assets		$280,843
Liabilities		
Current Liabilities		
Accounts Payable		$54,258
Notes Payable		$20,150
Credit Line Payable		$8,118
Accrued Wages/Salaries Payable		$1,344
Accrued Interest Payable		$1,785
Accrued Taxes Payable		$1,967
Total Current Liabilities		$87,622
Long-Term Liabilities		
Mortgage		$72,846
Note Payable		$47,000
Total Long-Term Liabilities		$119,846
Owner's Equity		
Sam Lloyd, Capital		$73,375
Total Liabilities and Owner's Equity		$280,843

Income Statement, Eden's Garden

Net Sales Revenue*		**$689,247**
Cost of Goods Sold		
Beginning Inventory, 1/1/xx	$78,271	
+ Purchases	$403,569	
Goods available for Sale	$481,840	
− Ending Inventory, 12,31/xx	$86,157	
Cost of Goods Sold		$395,683
Gross Profit		$293,564
Operating Expenses		
Advertising	$22,150	
Insurance	$9,187	
Depreciation		
Building	$26,705	
Autos	$7,895	
Equipment	$11,200	
Salaries	$116,541	
Uniforms	$4,018	
Repairs and Maintenance	$9,097	
Travel	$2,658	
Entertainment	$2,798	
Total Operating Expenses		$212,249
General Expenses		
Utilities	$7,987	
Telephone	$2,753	
Professional Fees	$3,000	
Postage	$1,892	
Payroll Taxes	$11,589	
Total General Expenses		$27,221
Other Expenses		
Interest Expense	$21,978	
Bad check Expense	$679	
Miscellaneous expense	$1,248	
Total Other Expenses		$23,905
Total Expenses		$263,375
Net Income		$30,189

*Credit sales represented $289,484 of this total.