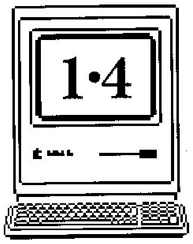
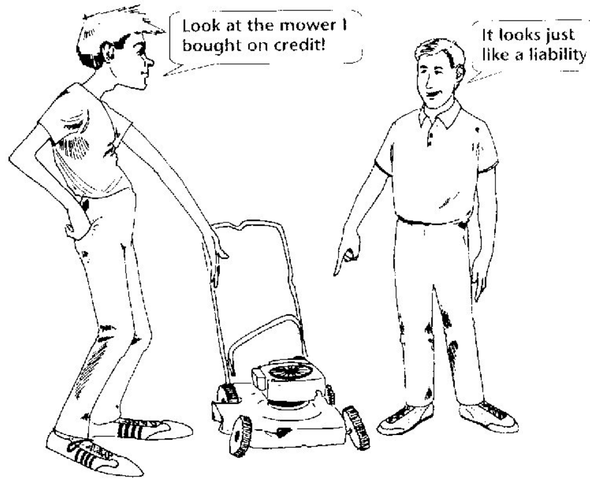


Liabilities



Most new business owners do not have the money to pay cash for all their needs. Just as families often buy a car or a house by paying some of its cost each month, businessmen must sometimes buy on credit. To buy on credit means to pay later for something received immediately. To have the privilege of buying on credit, you must have a good financial reputation.

Suppose you decide to begin a lawn service, and you do not have all the money needed to purchase a lawn mower. A department store may extend credit to you and allow you to have use of the mower while you make payments. The amount you owe the department store is called a **liability.**

When your business owes money to another business, you record the amount as **accounts payable.** The business or person to whom you are liable is the **creditor.** As a Christian businessman, you have the responsibility to pay your debts (liabilities), and you should make every effort to pay them on time. If you have a problem meeting all your financial obligations, notify your creditors and try to negotiate another repayment plan that you can afford.

A church ministry, a business, or an individual must have the moral character needed to meet all debt obligations. "The wicked borroweth, and payeth not again: . . ." Psalm 37:21. With God's help you can work diligently to repay all of your debts.

Homework

Find the total liabilities of each business.

1. **Natasha's Poodle Grooming**
Liabilities

Dan's Animal Grooming Suppliers	$ 85
First City Bank	60,890
Manuel's Cage Builders	588

2. **Thompson's Pool Supply**
Liabilities

Chemco Chemical Company	$ 618
Secretary's Choice Office Suppliers	40
Picnic Tables Unlimited	5,412
Wholesale Pool Supplies	898

3. **Jon's Sporting Goods**
Liabilities

Jumpshot Basketball Suppliers	$ 2,907.68
All Occasion Sports Clothes	1,566.49
Organized Ollie Office Supplies	21.79
The American Bank	78,899.28

4. **Swartz Garden Center**
Liabilities

The Lumberjack Tree Company	$6,625.89
Nursery Suppliers	9.50

5. Joel's Telephone Systems
Liabilities

Tele-systems Inc.	$ 4,896.18
Roberts Electronics	11,529.25
Telecommunications Suppliers	162.89

6. Lorenzo's Barber Shop
Liabilities

The Old-Time Furniture Maker	$ 169
Barber Pole Furnishings	3,740
Business Interiors	14,965
Beauty Suppliers	298
Cliff's Janitorial Agency	1,176
The Weekly Magazine	64

Locate all of the assets and liabilities of each business. Then find the total assets and total liabilities.

7. Lopez Appliance Center has $14,500 in cash, $1,255 in office furniture, 24 dryers at $499 each, 36 washing machines at $599 each, 15 refrigerators at $949 each, 28 dishwashers at $419 each, $350 owed for office supplies, and $10,725 owed to the bank. (A) What are the total assets? (B) What are the total liabilities?

8. Festive Party Supplies has $12,890 in balloon inventory, $50,876 owed to the bank, $22,733 in paper product merchandise, $1,609 owed to the Advanced Advertising Agency, $89,900 in buildings and land. (A) What are the total assets? (B) What are the total liabilities?

9. Paul Hernandez and his wife own a fruit and vegetable market. Their market has $2,669.99 in cash, $5,600.25 in fruits and vegetables, $1,464.19 owed to Northern Fruit Growers, $615.47 owed to the IRS for taxes. (A) What are the total assets? (B) What are the total liabilities?

10. Juliane's Teaching Supplies has $5,684 in cash, 13 filing cabinets at $99 each, 6 desk models at $549 each, $60,990 owed to the bank, $50,970 in land, $113,476 in buildings, and $11,845 owed to suppliers. (A) What are her total assets? (B) What are her total liabilities?

11. Rowena's Clothing Boutique has $2,882 in cash, $563 owed in taxes, $15,890 owed to Beautiful Fashions Incorporated, 25 clothes racks at $126 each, $18,693 in clothing merchandise, $1,982 in jewelry merchandise, and $282 owed to Beads and Chains Jewelry. (A) What are the total assets? (B) What are the total liabilities?

12. Dick's Rentals has $26,800.19 in appliance inventory, $10,111.18 in television inventory, $102,916.39 in buildings and land, $80,716.09 owed to the bank, $5,660.28 in cash, $15,805.45 owed to Oscar's Appliance City. (A) What are the total assets? (B) What are the total liabilities?

13. Prepare a list of possible assets and liabilities for a house cleaning business. Approximate the value of each asset and each liability. Find the total assets and total liabilities of the business.

Solve the word problems.

14. Rick Davis owns an upholstery shop. If he owes $32,060 to the bank for his building, $1,674 to City Sales for upholstery material, and $36 to Upholstery Suppliers for some tools, what are his total liabilities?

15. Natalie Olson started a ladies exercise spa. She has $1,129.38 in cash, $35,800.69 in exercise equipment, $14,923.23 owed to the bank, $5,224.89 owed to Sensational Saunas, $1,345.49 in wall mirrors, $569.99 in ceiling fans and other fixtures. (A) What are her total assets? (B) What are her total liabilities?

16. Jean Wood owes Tickling the Ivories Piano Manufacturing for three upright pianos and two grand pianos that she bought for her piano studio. If each upright cost $6,297 and each grand piano cost $14,895, what are Jean's total liabilities for the pianos?