

38. **LO.2** Sea Green Enterprises has the following assets and liabilities on its balance sheet:

	Net Book Value	Fair Market Value
Assets	\$600,000	\$925,000
Liabilities	200,000	200,000

Sea Green has just lost a product liability suit with damages of \$10 million being awarded to the plaintiff. Although Sea Green will appeal the judgment, legal counsel indicates that the judgment is highly unlikely to be overturned by the appellate court. The product liability insurance carried by Sea Green has a policy ceiling of \$6 million. What is the amount of liability of Sea Green Enterprises and its owners if the form of the business entity is:

- A sole proprietorship?
 - A partnership?
 - A C corporation?
 - An S corporation?
39. **LO.3** Red, White, Blue, and Orange have taxable income as follows: