B-08.04

Patti Devine owns Devine Decorating. One of her most popular items is the Remind-a-Chime digital clock. This programmable clock issues "voice-based" reminders of important events like birthdays, anniversaries, etc.

Following is the Remind-a-Clock inventory activity for January. The clocks on hand at January 1 had a unit cost of $140.

Date	Purchases	Sales	Units on Hand
1-Jan			40
5-Jan	60 units @ $150 each		100
16-Jan		70 units @ $255 each	30
23-Jan	90 units @ $170 each		120
28-Jan		55 units @ $295 each	65

(a) If Devine uses the first-in, first-out (FIFO) inventory method (periodic approach), what values would be assigned to ending inventory and cost of goods sold? How much is gross profit?

(b) If Devine uses the last-in, first-out (LIFO) inventory method (periodic approach), what values would be assigned to ending inventory and cost of goods sold? How much is gross profit?

(c) If Devine uses the weighted-average inventory method (periodic approach), what values would be assigned to ending inventory and cost of goods sold? How much is gross profit?

B-08.07

Park Place Luxury Autos uses the specific identification method to value its inventory. Below is a listing of automobiles that were either in beginning inventory or acquired during the year:

Automobile	Date Acquired	Cost
Bentley	Beginning inventory	$ 120,000
Rolls Royce	Beginning inventory	160,000
Cadillac	January	40,000
Lexus	March	50,000
Land Rover	June	60,000
Jaguar	July	42,000
Porsche	September	75,000
Mercedes	November	85,000
BMW	December	64,000
Inifiniti	December	39,000

Park Place uses the specific identification method. Total sales during the year were $600,000. Automobiles in ending inventory were the Rolls Royce, Lexus, Jaguar, and BMW. Determine the ending inventory, cost of goods sold, and gross profit for Park Place.

B-08.09

Aurora Wedding Gowns was burglarized in May of 20X5. It is unclear how many dresses were stolen. Aurora and its insurance company are currently working to estimate the dollar value of the stolen goods in order to reach a financial settlement under the existing property insurance policy.

Aurora's tax return prepared at the end of 20X4 revealed that the company ended 20X4 with a total inventory of $189,000. Aurora uses the same inventory accounting methods for tax and accounting purposes.

The insurance company has contacted Aurora's suppliers and confirmed Aurora's claim that purchases for 20X5, prior to the date of the burglary, were $376,000. All inventory was purchased, FOB destination.

20X5 Sales taxes collected by Aurora and remitted to the state, prior to the date of the theft, were $48,000. The sales tax rate is 6% of sales.

An inventory was taken immediately after the burglary and the cost of dresses in stock was $123,000.

Aurora consistently sells dresses at a gross profit margin of 45%.

Use the gross profit method to estimate the dollar value of stolen dresses.

B-08.10

The Quilting Pad is a retail store that sells materials for custom quilts. The store has a quilting room where quilters gather to sew and visit.

The store's inventory consists of bolts of fabrics, spools of thread, and trays of various batting and backing material. Customers generally select what they need, and pay for what they use. The retail price of goods is clearly marked on the bolts, spools, and trays. The Quilting Pad has virtually no problem with theft or shortages of inventory.

It is virtually impossible to track inventory in any detailed fashion. The store simply marks up all goods by a constant percentage. The mark up formula has been consistently applied to all items in inventory for many years.

The Quilting Pad uses the retail inventory technique. Following is information for 20X7:

Beginning inventory at cost	$ 46,800
Beginning inventory at retail	78,000
Cost of purchases of inventory during the year	230,000

At the end of the year, the Quilting Pad's inventory was physically counted and it was determined that $100,000 was the retail value of goods on hand.

Apply the retail method to estimate the sales and gross profit for 20X7.

I-08.02

Adriaan Taylor Corporation is a newly formed entity that engages in the purchase and resale of amphibious tour vehicles. Purchases for the first year of operation were as follows:

Date	Purchases
7-Jan	50 units @ $15,000 each
15-Mar	70 units @ $16,000 each
16-Jun	30 units @ $16,500 each
3-Aug	90 units @ $17,000 each
11-Oct	25 units @ $17,200 each

Sales for this first year of operation amounted to 210 units and totaled $4,250,000.

(a) If Adriaan Taylor uses the first-in, first-out (FIFO) inventory method (periodic approach), what values would be assigned to ending inventory and cost of goods sold? How much is gross profit?

(b) If Adriaan Taylor uses the last-in, first-out (LIFO) inventory method (periodic approach), what values would be assigned to ending inventory and cost of goods sold? How much is gross profit?

(c) If Adriaan Taylor uses the weighted-average inventory method (periodic approach), what values would be assigned to ending inventory and cost of goods sold? How much is gross profit?

(d) Which of the above techniques produces the highest profit? Which of the above techniques reports the most "current" cost on a balance sheet? Which of the above techniques report the most "current" cost in measuring income? Which of the above techniques results in the lowest income tax obligation?