117. Charleston Company has elected to use the dollar-value LIFO retail method to value its inventory. The following data has been accumulated from the accounting records:

<table>
<thead>
<tr>
<th>Merchandise inventory, January 1, 2006</th>
<th>Cost</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$320,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Net purchases</td>
<td>670,000</td>
<td>1,020,000</td>
</tr>
<tr>
<td>Net markups</td>
<td>14,000</td>
<td></td>
</tr>
<tr>
<td>Net markdowns</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>650,000</td>
<td></td>
</tr>
</tbody>
</table>

Pertinent retail price indexes:
- January 1, 2006: 1.00
- December 31, 2006: 1.10

Required:
Estimate the ending inventory for December 31, 2006.

$$\begin{align*}
\text{Cost} & = 320,000 \\
\text{Retail} & = 500,000 \\
\text{Net Purchases} & = 670,000 \\
\text{Net Markups} & = 14,000 \\
\text{Net Markdowns} & = 4,000 \\
\text{Available Goods (\% of Cost)} & = 990,000 \\
\text{Available Goods (\% of Retail)} & = 1,030,000 \\
\text{Base Layer Cost} & = \frac{320,000}{500,000} = 0.64 \\
\text{Period Layer Cost} & = \frac{670,000}{1020,000} = 0.6505 \\
\text{Net Sales} & = 650,000 \\
\text{Ending Inventory (Retail)} & = 880,000 \\
\text{Ending Inventory (Cost)} & = \frac{534,660.19}{52,000} \times 100 \\
\end{align*}$$

Bren Co.'s beginning inventory at January 1, 1993, was understated by $26,000, and its ending inventory was overstated by $52,000. As a result, Bren's cost of goods sold for 1993 was:

a. Understated by $26,000.
b. Overstated by $26,000.
c. Understated by $78,000.
d. Overstated by $78,000.
During 2006, Metro Co., which maintains a perpetual inventory system, recorded the following information pertaining to its inventory:

<table>
<thead>
<tr>
<th></th>
<th>Units</th>
<th>Unit Cost</th>
<th>Total Cost</th>
<th>Units on Hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance on 1/1/06</td>
<td>1,000</td>
<td>$1</td>
<td>$1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Purchased on 1/7/06</td>
<td>600</td>
<td>3</td>
<td>1,800</td>
<td>1,600</td>
</tr>
<tr>
<td>Sold on 1/20/06</td>
<td>900</td>
<td>5</td>
<td>2,000</td>
<td>700</td>
</tr>
<tr>
<td>Purchased on 1/25/06</td>
<td>400</td>
<td>5</td>
<td>2,000</td>
<td>1,100</td>
</tr>
</tbody>
</table>

Under the moving-average inventory method, what amount should Metro report as inventory at January 31, 2006?

<table>
<thead>
<tr>
<th>Date</th>
<th>Purchases</th>
<th>Q</th>
<th>$</th>
<th>Total</th>
<th>Sales</th>
<th>Q</th>
<th>$</th>
<th>Total</th>
<th>Inventory</th>
<th>Q</th>
<th>$</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1</td>
<td>1000</td>
<td>1</td>
<td>1000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/7</td>
<td>1600</td>
<td>1.75</td>
<td>2800</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/20</td>
<td>700</td>
<td>1.75</td>
<td>1225</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/25</td>
<td>1100</td>
<td>2.93</td>
<td>3225</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Under the LIFO method, what amount should Metro report as inventory at January 31, 2006?

<table>
<thead>
<tr>
<th>Date</th>
<th>Purchases</th>
<th>Q</th>
<th>$</th>
<th>Total</th>
<th>Sales</th>
<th>Q</th>
<th>$</th>
<th>Total</th>
<th>Inventory</th>
<th>Q</th>
<th>$</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1</td>
<td>1000</td>
<td>1</td>
<td>1000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/7</td>
<td>1000</td>
<td>1</td>
<td>1000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/20</td>
<td>600</td>
<td>3</td>
<td>1800</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/25</td>
<td>700</td>
<td>1</td>
<td>700</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Facts and Requirement: Inventory item X has a sales price of $20. Cash discounts of 2.5% are typically taken upon sale. The cost to complete and dispose of item X includes a selling commission of 7.5% and delivery costs of $1.00. Normal profit margin on item X is 25%. The replacement cost is $11. What is the market value of the inventory?

- Selling Price: 19.5
- Disposal Cost: 2.5
- Ceiling: 17
- Gross Margin: 5
- Floor: 12
- Market: 12

The replacement cost (11) cannot fall lower than the floor (12), and therefore, the floor is used.
Kiddie World uses a periodic inventory system and the retail inventory method to estimate ending inventory and cost of goods sold. The following data are available for the quarter ending September 30, 2006:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning inventory</td>
<td>$300,000</td>
<td>$450,000</td>
</tr>
<tr>
<td>Net purchases</td>
<td>861,000</td>
<td>1,210,000</td>
</tr>
<tr>
<td>Freight-in</td>
<td>22,000</td>
<td></td>
</tr>
<tr>
<td>Net markups</td>
<td></td>
<td>48,000</td>
</tr>
<tr>
<td>Net markdowns</td>
<td></td>
<td>18,000</td>
</tr>
<tr>
<td>Net sales</td>
<td>1,200,000</td>
<td></td>
</tr>
</tbody>
</table>

Estimate ending inventory and cost of goods sold (average cost).

\[
\text{Beg Inventory} = 300,000 \\
\text{Net Purchases} = 861,000 \\
\text{Freight In} = 22,000 \\
\text{Net Markups} = 48,000 \\
\text{Net Markdowns} = 18,000 \\
\text{Available Goods} = 1,183,000 \\
\]

Cost to Retail 90% = 1,690,000

\[
\text{Cost to Retail 90%} = \frac{1,183,000}{0.7} = \frac{490,000}{0.9} \\
\text{Net Sales} = 1,200,000 \\
\text{Ending Inventory (Retail)} = 340,000 \\
\text{Cost of Goods Sold} = 840,000 \\
\]

99. During Bricker Company's first year of operations, credit sales totaled $200,000 and collections on credit sales totaled $145,000. Bricker estimates that $1,000 of its ending accounts receivable balance will not be collected. By year-end, Bricker had written off $330 of specific accounts as uncollectible.

Required:
(a.) Prepare all appropriate journal entries relative to uncollectible accounts and bad debt expense.
(b.) Show the year-end balance sheet presentation for accounts receivable.

(a) Bad Debt Expense
- Allowance for Uncollectable Accounts
- Allowance for Uncollectable Accounts Receivable

(b) Accounts Receivable (200,000 - 145,000) - 55,000
Less: Allowance for Uncollectable Accounts - 1000 - 54,000
1. On March 15, 2006, Ashe Corp. adopted a plan to accumulate $1,000,000 by September 1, 2010. Ashe plans to make four equal annual deposits to a fund that will earn interest at 10% compounded annually. Ashe made the first deposit on September 1, 2006. Future value and future amount factors are as follows:

- Future value of $1 at 10% for 4 periods: 1.46
- Future amount of ordinary annuity of $1 at 10% for four periods: 4.64
- Future amount of annuity in advance of $1 at 10% for four periods: 5.11

Ashe should make four annual deposits (rounded) of:

- a. $250,000
- b. $215,500
- c. $195,700
- d. $146,000

2. On July 1, 2006, James Rago signed an agreement to operate as a franchisee of Fast Foods, Inc. for an initial franchise fee of $60,000. Of this amount, $20,000 was paid when the agreement was signed and the balance is payable in four equal annual payments of $10,000 beginning July 1, 2007. The agreement provides that the down payment is not refundable and no future services are required of the franchisor. Rago's credit rating indicates that he can borrow money at 14% for a loan of this type. Information on present and future value factors is as follows:

- Present value of $1 at 14% for four periods: 0.59
- Future amount of $1 at 14% for four periods: 1.69
- Present value of an ordinary annuity of $1 at 14% for four periods: 2.91

Rago should record the acquisition cost of the franchise on July 1, 2006 at:

- a. $43,600
- b. $49,100
- c. $60,000
- d. $67,600

Cook Co. had the following balances at December 31, 1992:

- Cash in checking account: $350,000
- Cash in money-market account: 250,000
- U.S. Treasury bill, purchased 12/1/92, maturing 2/28/93: $800,000
- U.S. Treasury bond, purchased 3/1/92, maturing 2/28/93: 500,000

Cook's policy is to treat as cash equivalents all highly liquid investments with a maturity of three months or less when purchased. What amount should Cook report as cash and cash equivalents in its December 31, 1992, balance sheet?

- a. $600,000
- b. $1,150,000
- c. $1,400,000
- d. $1,900,000

Inge Co. determined that the net value of its accounts receivable at December 31, 1993, based on an aging of the receivables, was $325,000. Additional information is as follows:

- Allowance for uncollectible accounts-1/1/93: $30,000
- Uncollectible accounts written off during 1993: 18,000
- Uncollectible accounts recovered during 1993: 2,000
- Accounts receivable at 12/31/93: 350,000

For 1993, what would be Inge's uncollectible accounts expense?

- a. $5,000
- b. $11,000
- c. $15,000
- d. $21,000

THIS TEST WAS: