Chapter 5 Estimation Valuation Method

2. 1) 30% of Sales

Sales	175,000	
Less Sales Return	(10,000)	
Net Sales		165,000
Cost of Goods Sold		
Beginning INV		25,550
Add Purchase	120,000	
Less Purchase Return	(5,000)	
Net Purchase		115,000
Add Freight in		6,000
Goods for Sales		146,550
Less Ending INV		(31,050)
Cost of Goods Sold		115,500
Gross profit		**49,500**
		(165,000 * 30%)

2) 20% of CGS

Sales	175,000	
Less Sales Return	(10,000)	
Net Sales		165,000
Cost of Goods Sold		
Beginning INV		25,550
Add Purchase	120,000	
Less Purchase Return	(5,000)	
Net Purchase		115,000
Add Freight in		6,000
Goods for Sales		146,550
Less Ending INV		(9,050)
Cost of Goods Sold		137,500
Gross profit		**27,500 ***

* Note: (x = CGS)
$165,000 - x = 0.2x$
$x = 137,500$
Thus, $0.2x = 27,500$

4.   1) Cost Method

	Retail Price	Cost
Beginning INV	4,620	2,500
Add Purchase	19,180	12,000
Add Additional Markup	1,200	
Less Markdown	(380)	
Goods for Sales	24,620	14,500
Less Sales	(19,000)	
Ending INV	**5,620**	

% Cost / Retail Price   =   (14,500 / 24,620) * 100
                          =   58.90%

Thus, Ending INV (Cost)   =   5,620 * 58.90%
                            =   3,310.18

        2) Lower Cost or Market

	Retail Price	Cost
Beginning INV	4,620	2,500
Add Purchase	19,180	12,000
Add Additional Markup	1,200	
Goods for Sales	25,000	14,500
Less Sales	(19,000)	
Less Markdown	(380)	
Ending INV	**5,620**	

% Cost / Retail Price   =   (14,500 / 25,000) * 100
                          =   58%

Thus, Ending INV (Cost)   =   5,620 * 58%
                            =   3,259.60

11.

% Cost / Retail Price (Beginning INV) = (351,000 / 540,000) * 100
$$= 65\%$$

% Cost / Retail Price (25x5) = (930,000 / 1,500,000) * 100
$$= 62\%$$

Ending INV (Retail Price) = 660,000
Base Year = 660,000 * (100/110) = 600,000
Ending INV (Cost) = (540,000 * 65%) + {60,000 * (110/100) * 62%}
$$= 351,000 + 40,920$$
$$= 391,920$$

% Cost / Retail Price (25x6) = (871,200 / 1,320,000) * 100
$$= 66\%$$

Ending INV (Retail Price) = 556,500
Base Year = 556,500 * (100/116) = 525,000
Ending INV (Cost) = (525,000 * 65%)
$$= 341,250$$

% Cost / Retail Price (25x7) = (936,000 / 1,560,000) * 100
$$= 60\%$$

Ending INV (Retail Price) = 615,600
Base Year = 615,600 * (100/108) = 570,000
Ending INV (Cost) = (525,000 * 65%) + {45,000 * (108/100) * 60%}
$$= 341,250 + 29,160$$
$$= 370,410$$

% Cost / Retail Price (25x8) = (1,209,600 / 1,920,000) * 100
$$= 63\%$$

Ending INV (Retail Price) = 705,600
Base Year = 705,600 * (100/112) = 630,000
Ending INV (Cost) = (525,000 * 65%) + {45,000 * (108/100) * 60%}
$$+ \{60,000 * (112/100) * 63\%\}$$
$$= 341,250 + 29,160 + 42,336$$
$$= 412,746$$

12.

Ending INV (25x5) = 75,000

Ending INV (25x6)

    Base Year = 100,000 * (100/125)

            = 80,000

Thus, Ending INV = 75,000 + {5,000 * (125/100)}

            = 81,250

Ending INV (25x7)

    Base Year = 140,000 * (100/140)

            = 100,000

Thus, Ending INV = 75,000 + {5,000 * (125/100)}

            + {20,000 * (140/100)}

            = 109,250

Ending INV (25x8)

    Base Year = 110,400 * (100/115)

            = 96,000

Thus, Ending INV = 75,000 + {5,000 * (125/100)}

            + {16,000 * (140/100)}

            = 103,650

Ending INV (25x9)

    Base Year = 78,000 * (100/120)

            = 65,000

Thus, Ending INV = 65,000