

Debits Increase:
Assets
Expenses
Dividends

Credit Decrease:
Assets
Expenses
Dividends

Balance Sheet: purchase short-term trading investment, market value current assets
Income Statement: adjustment other revenue and gains (losses) short-term inv unrealized gain on investment unreal gain

2/10
2- amount of % disc.
10- # of days

n/30
n- net amount
30- # of days to pay full amount

Credits Increase:
Liabilities
Common Stock
Retained Earnings
-

Debits Decrease:
Liabilities
Common Stock
Retained Earnings
Revenues

Trading Securities:
Adjusted to fair value- UNrealized gain/loss
Sold- realized gain/loss

Adjusting Entries:
Write-off of uncollectible:
dr. allow for uncoll act
cr. a/r
uncoll. act. exp % of sale rev:
dr. uncoll-act. exp
cr. allow for uncoll act

	Period 1:	Period 2:
	overstated	overstated
Sales	no effect	no effect
Beg. Inv.	no effect	overstated
Purchases	no effect	no effect
End. Inv.	overstated	no effect
COGS	understated	overstated
Gross Profit	overstated	understated
Net Income	overstated	understated

Units of Production:
(cost - r.value) / units of production = depr. cost per unit
depr. cost per year = depr. cost per unit X amount produced that year
Book Value = cost - accum. depr. value

Subsidiary Ledger- keeps track of individual customers in separate account

End. Inv.	COG	Gross Profit
U	O	U
U	U	O

balance sheet is "buying price"
income statement is "selling price" unrealized gain
Beg. Inv. + Purch. Units - Units avail. to sell - end. inv. = sold
Avg Cost:
avg cost per unit = cost of goods avail. to sell X # of units
end inv. = avg. cost per unit X units in end inv.
COGS = cost of goods avail. for sale - end inv.
FIFO:
cost per unit = total cost / units (beg inv & purch)
\$ # / # of units = beg. inv
\$ # / # of units = purch.
ending inv # X most recent goods purch \$ = end inv.
beg. inv. + purch - end inv. = COGS
LIFO:
ending inv # X oldest units purch. \$ = end inv.
beg. inv. + purch. - end inv. = COGS

Allowance Method- estimates
Direct write off- no estimates; overstates assets; fails to show amount of rec. comp expects to collect

4 Inventory Methods:
Specific Unit: very specific/exp.
Avg. Cost: weighted avg.
FIFO- first bought, first sold (milk)
LIFO- last bough, first sold (salt)

Straight Line Depr:
depr. value = (cost - r.value) / years
same for entire life
Book Value = cost - accum. depr. value

FOB destination recognizes sale when goods arrive at buyer
FOB shipping point: when goods leave shipping point
Less: Sales Disc.
Net Sales Rev.

Int. Rev = principal X int. rate X time
Total = principal + interest (given months)

relative sales method:
market (sale) value
total market value = % X total cost = cost of each asset

Inventory Methods:
COGS: LIFO; Income Statement; lower net income; better matching of exp to rev
Ending Inv.: FIFO; provides more up-to-date inv cost; more realized; Balance Sheet

How to Determine Net Act. Rec:
A/R
Less: Allow. for Uncoll.
Net A/R

capital expenditure- expen. that increases an asset's capacity, efficiency, extends its useful life (dr)
sales tax, transportation/insurance for object in transit, purchase price, installation, training of personnel, special reinforcement
expense- decrease in retained earnings that results from operations; cost of doing business
income tax paid on income earned, repairs

LIFO- assoc. w/ saving income tax; enables comp. to buy high-cost inv; results in old measure of cost of end inv; enables comp to keep reported income from dropping lower by liquidating older layers of inv
FIFO- cost of end inv that is close to current cost of replacing inv; maximizes reported income
Specific-Unit-Cost- used to acct cars, jewelry, art
All 4- writes inv down when replacement cost drops below historical cost

unrealized- has not been sold yet, we still own it
unrealized gain (loss)- fair value of investment is greater (less) than the cost

Double Declining Balance:
2 / # of years X original cost = depr. value
cost - depr. value = DDB depr. year 1
cost - DDB depr. X % = DDB depr year 2
Book Value = cost - accum. depr. value

Corrected Balance = (ending inventory) original balance - error
Corrected Balance = (COGS) original balance + error
Corrected Gross Profit = sales rev (net sales) - corrected COGS

aging-of-receivables- estimating uncollectible act by analyzing individual A/R according to the length of time they have been outstanding (balance sheet)

sales rev is based on the **sales** price of inventory, while COGS is based on the **cost** of the inventory