

## ***Week 2 - Summary***

### ***Response #1***

This week was another week filled with a ton of information. One of the things I learned this week was about the lower of cost or market concept. This concept pertains to inventory and how a company can use it. The lower of cost or market concept is when inventory falls below its original purchase price the company records the loss. Some of the reasons that the price could fall below the purchase price is obsolescence, price-level changes, or damaged goods. This concept is useful because this keeps the company from overstating inventory and the way that the economy is today, prices for items seem to change regularly.

### ***Response #2***

I have learned this week about lower of cost or market and how inventories are recorded at their cost. NRV is defined as the expected selling price in the ordinary course of business minus the cost of necessary for completion and disposal. The lower cost and market method has two boundaries on the valuation of inventories. The first is the inventory ceiling, which requires that inventory must be reported no higher than the net realizable value less expenses. The second boundary is the inventory floor, which requires that inventory value be reported at no lower than the net realizable value plus normally attainable profit. In addition, I have learned about assets. The acquisition and valuation of plant, property, and equipment.

### *Response #3*

The newest concept for me this week was the capability for a fixed asset to become an impairment. I hadn't heard of this term in detail before this week so this was interesting. It makes sense that a long-lived asset would and could lose value and that the business would then be carrying an amount on the books that is greater than the value. I think being able to classify an asset as an impairment is helpful and fair.

I have had a little bit of experience with capitalizing items and it would good to compare what I had done in the past with the textbook answers and guidance. As it turns out, I was doing the right things in regards to the items I was capitalizing vs. expensing ... the person before me, however, was not and that created quite a mess. If I would have known then what I know now, I would have been able to explain the reasons for expensing vs. capitalizing much better.

I peeked at next week's discussion questions and I'm excited to learn and understand more about depreciation. Crazy, I know.

### *Response #4*

This week was another great review, especially dealing with inventories. It was more in depth and covered a few more details. Covering the items that can be considered cash was a new topic and was a little challenging at first. After working a few practice problems and reviewing some more of the chapter it seems a little easier to grasp.