

Date	Units	Price per unit	Total
1/1/04	2,000	\$7.00	14,000
4/1/04	2,500	\$8.00	20,000
7/1/04	3,000	\$9.00	27,000
12/1/04	3,500	\$11.00	38,500
Goods available for sale	11,000		99,500
Sold	6,000		

b. **FIFO**

Goods available for sale				99,500
From 12/1/04	3,500	\$11.00	38,500	
From 7/1/04	1,500	\$9.00	13,500	
From 12/1/04	0	\$11.00	0	
Ending inventory	5,000		52,000	52,000
Cost of Goods Sold				47,500

**LIFO**

Goods available for sale				99,500
From 1/1/04	2,000	\$7.00	14,000	
From 4/1/04	2,500	\$8.00	20,000	
From 7/1/04	500	\$9.00	4,500	
Ending inventory	5,000		38,500	38,500
Cost of Goods Sold				61,000
LIFO reserve	52,000	-	38,500	= 13,500

c. **Arkansas Co.  
Income Statements  
for the year ended**

12/31/00

				FIFO	LIFO
Sales	6,000	x	\$25.00	150,000	150,000
Cost of Goods Sold				47,500	61,000
Gross Margin				102,500	89,000
Selling, General & Administrative Expenses				(20,000)	(20,000)
Depreciation Expense				(5,000)	(5,000)
Interest Expense				(6,000)	(6,000)
Income Before Taxes				71,500	58,000
Income Taxes	35%	Income Before Taxes		25,025	20,300
Net Income After Taxes				46,475	37,700

d	Net Income After Taxes			46,475	37,700
	Depreciation Expense			5,000	5,000
	Increase in inventory			52,000	38,500
	Cash flow from operations			(525)	4,200
	Difference =	4,200	-	(525)	= 4,725
	=	LIFO reserve	x	tax rate	
	=	13,500	x	35%	= 4,725