Arkansas Co.

Arkansas Co. began operations on January 1, 2000. In the year 2000, it made the following purchases of inventory:

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
Total	11,000		$99,500

Arkansas sold 6,000 units @ $25 per unit during the year. Arkansas computes ending inventory and cost of goods sold under the periodic inventory method. That is, it makes calculations of these amounts only once a year, not perpetually.

a. What is Arkansas's ending inventory and cost of goods sold using the FIFO flow assumption?

b. What is Arkansas's ending inventory and cost of goods sold using the LIFO flow assumption?

c. The following table contains columns for Arkansas's income statements using FIFO and LIFO. Fill in the blank cells.

Arkansas Co.
Income Statements
for the year ended 12/31/00

		FIFO	LIFO
Sales			
Cost of Goods Sold			
Gross Margin			
Selling, General & Administrative expenses		(20,000)	(20,000)
Depreciation Expense		(5,000)	(5,000)
Interest Expense		(6,000)	(6,000)
Income Before Taxes			
Income Taxes	35% of Income Before Taxes		
Net Income			

d. Assume that all sales were for cash and "Selling, General & Administrative" expenses, income taxes, purchases and interest expense were paid in cash. What will be the cash flow from operations under

1 FIFO flow assumptions

2 LIFO flow assumptions