

Luden Corporation

Teaching notes

Price-level adjustments and

Current cost based financial statements

20X1

SCHEDULE 1. INCOME STATEMENT
LUDEN CORPORATION
HISTORICAL COST/ CONSTANT DOLLARS
FOR THE YEAR ENDED DECEMBER 31, 20X1

	HC/ND	INDEX	YEAR END HC/CD	INDEX	AVE HC/CD
SALES.	\$80,000	_____	\$83,810	_____	\$80,000
COST OF SALES.	45,000	_____	49,500	_____	47,250
GROSS MARGIN.	35,000	_____	34,310	_____	32,750
OPERATING EXPENSES.	20,000	_____	20,952	_____	20,000
DEPR EXPENSE.	10,000	_____	11,000	_____	10,500
TTL EXPENSES.	30,000	_____	31,952	_____	30,500
NET INCOME.	<u>\$ 5,000</u>	_____	<u>\$ 2,357</u>	_____	<u>\$ 2,250</u>
PURCHASING POWER GAIN.			<u>\$ 1,143</u>		<u>\$ 1,091</u>

SCHEDULE 2. BALANCE SHEET
LUDEN CORPORATION
HISTORICAL COST/ CONSTANT DOLLARS
DECEMBER 31, 20X1

	HC/ND	INDEX	YEAR END HC/CD	INDEX	AVE HC/CD
CASH.	\$ 70,000	_____	\$ 70,000	_____	\$ 66,818
INVENTORY.	45,000	_____	49,500	_____	47,250
PLANT & EQUIPMENT.	100,000	_____	110,000	_____	105,000
ACCUM DEPR.	10,000	_____	11,000	_____	10,500
NET PLANT.	90,000	_____	99,000	_____	94,500
TTL ASSETS.	<u>\$205,000</u>	_____	<u>\$218,500</u>	_____	<u>\$208,568</u>
LIABILITIES & STOCKHOLDERS' EQUITY					
MORTGAGE PAYABLE.	\$ 50,000	_____	\$ 50,000	_____	\$ 47,727
COMMON STOCK.	150,000	_____	165,000	_____	157,500
RETAINED EARNINGS.	5,000	*	3,500	*	3,341
TTL LIAB & STK EQUITY.	<u>\$205,000</u>	_____	<u>\$218,500</u>	_____	<u>\$208,568</u>

SCHEDULE 3.
 LUDEN CORPORATION
 CALCULATION OF PURCHASING POWER GAINS & LOSSES
 FOR THE YEAR ENDED DECEMBER 31, 20X1

	HC/ND	INDEX	YEAR END	INDEX	AVE HC/CD
MONETARY ASSETS, 1/1.	\$10,000	_____	\$11,000		\$10,500
NET CASH INCREASE		_____			
(\$80,000-\$20,000)	<u>60,000</u>		62,857		60,000
MONETARY ASSETS, 12/31/X1 .	<u>\$70,000</u>		73,857		70,500
Monetary assets, 12/31 in yr end \$			<u>70,000</u>		
Monetary assets, 12/31 in ave dollars.					<u>66,818</u>
PURCHASING POWER LOSS.			<u>3,857</u>		<u>3,682</u>
MONETARY LIABS, 1/1.	\$50,000		\$55,000		\$52,500
CHANGE IN MON LIABS.	<u>0</u>		<u>0</u>		<u>0</u>
MONETARY LIABS, 12/31.	<u>\$50,000</u>		55,000		52,500
Monetary liabs, 12/31 in yr end \$			<u>50,000</u>		
Monetary liabs, 12/31 in ave dollars.					<u>47,727</u>
PURCHASING POWER GAIN.			<u>5,000</u>		<u>4,773</u>
NET PURCHASING POWER GAIN.			<u>\$ 1,143</u>		<u>\$ 1,091</u>

SCHEDULE 7
 LUDEN CORPORATION
 STATEMENT OF RETAINED EARNINGS-HISTORICAL COST BASED
 FOR THE YEAR ENDED DECEMBER 31, 20X1

	HC/ND	INDEX	YEAR END HC/CD	INDEX	AVE HC/CD
RETAINED EARNINGS, 1/1.	\$ 0		\$ 0		\$ 0
NET INCOME	5,000		2,357		2,250
PURCHASING POWER GAIN.			<u>1,143</u>		<u>1,091</u>
RETAINED EARNINGS, 12/31. .	<u>\$ 5,000</u>		<u>\$ 3,500</u>		<u>\$ 3,341</u>