

Luden Corporation
Teaching notes
Price-level adjustments and
Current cost based financial statements
20X2

SCHEDULE 1. INCOME STATEMENT
LUDEN CORPORATION
HISTORICAL COST/ CONSTANT DOLLARS
FOR THE YEAR ENDED DECEMBER 31, 20X2

			YEAR END		(AVE)
	HC/ND	INDEX	HC/CD	INDEX	HC/CD
SALES.....	<u>\$180,000</u>	120/115	<u>\$187,826</u>	115/115	<u>\$180,000</u>
BEGINNING INVENTORY	45,000	120/100	54,000	115/100	51,750
PURCHASES	<u>200,000</u>	120/115	<u>208,696</u>	115/115	<u>200,000</u>
GOODS AVAILABLE	245,000		262,696		251,750
LESS: ENDING INVENTORY	<u>90,000</u>	120/118	<u>91,525</u>	115/118	<u>87,712</u>
COST OF SALES.....	<u>155,000</u>		<u>171,170</u>		<u>164,038</u>
GROSS MARGIN.....	<u>25,000</u>		<u>16,656</u>		<u>15,962</u>
OPERATING EXPENSES.....	20,000	120/115	20,870	115/115	20,000
DEPR EXPENSE.....	<u>9,000</u>	120/100	<u>10,800</u>	115/100	<u>10,350</u>
TTL EXPENSES.....	<u>29,000</u>		<u>31,670</u>		<u>30,350</u>
OPERATING INCOME.....	(4,000)		(15,014)		(14,388)
LOSS-SALE OF FIXED ASSET	<u>(2,000)</u>	*	<u>(4,748)</u>	*	<u>(4,550)</u>
NET INCOME (LOSS)	<u>\$ (6,000)</u>		<u>\$ (19,762)</u>		<u>\$ (18,938)</u>
PURCHASING POWER GAIN (LOSS).....			<u>\$ (731)</u>		<u>\$ (701)</u>
*CALCULATION OF LOSS ON SALE OF FIXED ASSETS					
SALES PRICE.....	\$ 15,000	120/115	\$ 15,652	115/115	\$ 15,000
BOOK VALUE OF ASSET					
[20,000-3,000].....	<u>17,000</u>	120/100	<u>20,400</u>	115/100	<u>19,550</u>
LOSS-SALE OF FIXED ASSET	<u>\$ (2,000)</u>		<u>\$ (4,748)</u>		<u>\$ (4,550)</u>

SCHEDULE 2. BALANCE SHEET
LUDEN CORPORATION
HISTORICAL COST/ CONSTANT DOLLARS
DECEMBER 31, 20X2

	HC/ND	INDEX	YEAR END HC/CD		AVE HC/CD
CASH.....	\$ 55,000	120/120	\$ 55,000	115/120	\$ 52,708
ACCOUNTS RECEIVABLE	40,000	120/120	40,000	115/120	38,333
INVENTORY.....	<u>90,000</u>	120/118	<u>91,525</u>	115/118	<u>87,712</u>
PLANT & EQUIPMENT.....	80,000	120/100	96,000	115/100	92,000
ACCUM DEPR.....	<u>16,000</u>	120/100	<u>19,200</u>	115/100	18,400
NET PLANT.....	<u>64,000</u>		<u>76,800</u>		<u>73,600</u>
TTL ASSETS.....	<u>\$249,000</u>		<u>\$263,325</u>		<u>\$252,354</u>
LIABILITIES & STOCKHOLDERS' EQUITY					
ACCOUNTS PAYABLE.....	\$ 50,000	120/120	\$ 50,000	115/120	\$ 47,917
MORTGAGE PAYABLE.....	50,000	120/120	50,000	115/120	47,917
COMMON STOCK.....	150,000	120/100	180,000	115/100	172,500
RETAINED EARNINGS.....	<u>(1,000)</u>	*	<u>(16,675)</u>	*	<u>(15,980)</u>
TOTAL LIABS & STK EQUITY	<u>\$249,000</u>		<u>\$263,325</u>		<u>\$252,354</u>

SCHEDULE 3.
LUDEN CORPORATION
CALCULATION OF PURCHASING POWER GAINS & LOSSES
FOR THE YEAR ENDED DECEMBER 31, 20X2

	HC/ND	INDEX	YEAR END	INDEX	AVE HC/CD
MONETARY ASSETS, 1/1/X2	\$70,000	120/110	\$76,364	115/110	\$73,182
INFLOW-MON. ASSETS					
CASH (140,000+15,000) . .	155,000	120/115	161,739	115/115	155,000
ACCTS RECEIVABLE.	40,000	120/115	41,739	115/115	40,000
OUTFLOW-MONETARY ASSETS					
CASH(150,000+20,000). . .	<u>(170,000)</u>	120/115	<u>(177,391)</u>	115/115	(170,000)
MONETARY ASSETS, 12/31/X2	<u>\$95,000</u>		102,451		98,182
Monetary assets, 12/31/X2 in yr end \$		120/120	95,000		
Monetary assets, 12/31/X2 in average year 2 dollars. . . .				115/120	<u>91,042</u>
PURCHASING POWER LOSS.			<u>7,451</u>		7,140
MONETARY LIABS, 1/1/X2	\$50,000	120/110	\$54,545	115/110	\$52,273
INFLOW-MONETARY LIABILITIES					
ACCOUNTS PAYABLE.	<u>50,000</u>	120/115	<u>52,174</u>	115/115	<u>50,000</u>
MONETARY LIABS, 12/31/X2	<u>\$100,000</u>		106,719		102,273
Monetary liabs, 12/31/X2 in yr end \$		120/120	100,000		
Monetary liabs, 12/31 in average year 2 dollars. . .				115/120	<u>95,833</u>
PURCHASING POWER GAIN.			<u>6,719</u>		6,439
NET PURCHASING POWER GAIN(LOSS).			<u>\$ (731)</u>		<u>\$ (701)</u>