

Carson's Camera Store has a number of video recording cameras in stock. All units are priced to provide a normal profit margin of \$150. Some of these units are quite old. Carson's has concluded that some "lower-of-cost-or-market" adjustments may be needed, and has gathered the following unit pricing data:

Beta CamCorder, \$900 cost, \$950 replacement cost, \$300 selling price  
VHS CamCorder, \$800 cost, \$250 replacement cost, \$500 selling price  
DVD CamCorder, \$400 cost, \$375 replacement cost, \$400 selling price  
Blu-Ray CamCorder, \$600 cost, \$750 replacement cost, \$800 selling price

- (a) What unit value should be attached to each type of camera, assuming item-by-item application of the lower-of-cost-or-market rule?
- (b) Assuming an item-by-item application of the lower-of-cost-or-market rule, what journal entry is needed to reduce the Beta CamCorder? 11 such units remain in stock.
- (c) As a general rule, is the item-by-item approach required? Is the item-by-item approach the most "conservative?"
- (d) If an item of inventory is written down, but subsequently recovers in value during a subsequent year, can it be written back up?