

## B-08.12

Citrin Corporation reported the following information related to 20X7 and 20X8:

	<u>20X7</u>	<u>20X8</u>
Beginning inventory	\$ 634,400	\$ 530,400
Purchases	<u>1,899,990</u>	<u>2,450,500</u>
Cost of goods available for sale	\$ 2,534,390	\$ 2,980,900
Less: Ending inventory	<u>530,400</u>	<u>480,000</u>
Cost of goods sold	<u><u>\$ 2,003,990</u></u>	<u><u>\$ 2,500,900</u></u>
Sales	\$ 3,003,990	\$ 4,500,900
Cost of goods sold	<u>2,003,990</u>	<u>2,500,900</u>
Gross profit	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 2,000,000</u></u>

The 20X7 ending inventory value used in the above presentation erroneously failed to include \$200,000 of goods purchased FOB shipping point. The purchase and related accounts payable were correctly recorded by Citrin Corporation. Citrin Corporation uses a periodic inventory system.

- (a) Prepare a corrected presentation of the above data.
- (b) Prepare a corrected presentation of the above data, but this time assume that the company had also failed to record the purchase before 20X8 (in addition to omitting the \$200,000 from 20X7 ending inventory).
- (c) In part (a), does the error matter, given that the combined gross profit for both years is \$3,000,000 under both the incorrect and correct presentation?
- (d) In part (b), does the error matter, given that the gross profit for each year is the same under both the incorrect and correct presentation?