****

**LEEDS SCHOOL OF BUSINESS**

**MBAC 6020: AS&S**

Work problem 7-50 in the text, but make the following changes to the problem:

The text part of the problem (the first paragraph) remains as is, but replace parts a and b with the following:

a. Assume Appliance Sales and Service (AS&S) records the sale in July 2008 normally under the belief that it will receive all future cash payments from the customer; also assume that AS&S prepares monthly financial statements. What will appear in the annual income statement for sales revenue and cost of goods sold expense for the year ended June, 30 2009.

b. Assume the customer makes all 10 payments and that AS&S issues monthly financial statements. What would appear in the July, 2008 – April, 2009 income statements for sales revenue and cost of goods sold expense if AS&S used each of these methods.

 (1) installment method

 (2) cost recovery method

c. Assume the customer stops making payments after making the November 2008 payment and that AS&S issues monthly financial statements. In December 2008, AS&S repossesses all three appliances and estimates that it could sell the repossessed appliances for $980. What would appear in the July, 2008 – December 2008 income statements for sales revenue, cost of goods sold expense, and loss on repossession if AS&S used each of these methods.

 (1) installment method

 (2) cost recovery method