

Using the information from Problem 18-2B and the inventory information for Best Bikes below, complete the requirements below. Assume income tax expense is \$136,700 for the year.

#### Inventories

|                                          |           |
|------------------------------------------|-----------|
| Raw materials, December 31, 2014 .....   | \$ 40,375 |
| Raw materials, December 31, 2015 .....   | 70,430    |
| Work in process, December 31, 2014 ..... | 12,500    |
| Work in process, December 31, 2015 ..... | 14,100    |
| Finished goods, December 31, 2014.....   | 177,200   |
| Finished goods, December 31, 2015.....   | 141,750   |

#### Required

1. Prepare the company's 2015 schedule of cost of goods manufactured.
2. Prepare the company's 2015 income statement that reports separate categories for (a) selling expenses and (b) general and administrative expenses.

#### Analysis Component

3. Compute the (a) inventory turnover, defined as cost of goods sold divided by average inventory, and (b) days' sales in inventory, defined as 365 times ending inventory divided by cost of goods sold, for both its raw materials inventory and its finished goods inventory. (To compute turnover and days' sales in inventory for raw materials, use raw materials used rather than cost of goods sold.) Discuss some possible reasons for differences between these ratios for the two types of inventories. Round answers to one decimal place.

#### Problem 18-3B

Schedule of cost of goods manufactured and income statement analysis of inventories

P2 A1

**Check** (1) Cost of goods manufactured, \$1,816,995