Respond to the following. Submit journal entries in a table in MS Word and written segments in the same Word document. Do not submit two separate documents, as only one document can be accepted. For written answers, please make sure your responses are well written, formatted per the [*CSU-Global Guide to Writing and APA Requirements*](https://portal.csuglobal.edu/fileman/files/schoology/courses/global/documents/CSU-Global-Guide-to-Writing-and-APA-Requirements.pdf) and have proper citations, if applicable.

Garner Company began operations on January 1, 2015, and uses the average cost method of pricing inventory. Management is contemplating a change in inventory methods for 2018. The following information is available for the years 2015–2017.

|  |
| --- |
| Net Income Computed Using |
|   | Average Cost Method | FIFO Method | LIFO Method |
| 2015 | $15,000 | $20,000 | $12,000 |
| 2016 | 18,000 | 24,000 | 14,000 |
| 2017 | 20,000 | 27,000 | 17,000 |

On January 1, 2017, Garner issued 10-year, $200,000 face value, 6% bonds, at par. Each $1,000 bond is convertible into 30 shares of Garner common stock. The company has had 10,000 common shares outstanding throughout its life. None of the bonds have been exercised as of the end of 2018. (Ignore tax effects.)

[Click here to download the Excel Template](https://csuglobal.blackboard.com/bbcswebdav/pid-1635780-dt-content-rid-8875479_2/xid-8875479_2) containing the spreadsheet you will need for this exercise.

1. Using the spreadsheet Journal Entries, prepare the journal entry necessary to record a change from the average cost method to the FIFO method in 2018.
2. Assume Garner Company used the LIFO method instead of the average cost method during the years 2015–2017. In 2018, Garner changed to the FIFO method. Using the spreadsheet Journal Entries, prepare the journal entry necessary to record the change in accounting principle.
3. Assume Garner had the accounting change described in (2); Garner’s income in 2018 was $30,000. Compute basic and diluted earnings per share for Garner Company for 2018. Show how income and EPS will be reported for 2018 and 2017.