The investment portfolio of Elle E. Fant Fashions appears below.

Security Classification Cost Fair Value 12/31/06 Fair Value 12/31/07

Coram Cola Trading 10,000 9,500 10,000

Rears & Sobuck Trading 5,000 6,000 6,250

JC Dime Trading 15,000 15,000 7,500

Lackawaxen Online Available for Sale 10,000 20,000 35,000

Scranton City Bond Held to Maturity 20,000 19,500 19,700

* What effect will the change in value of the investment portfolio have on Elle E. Fant’s income statement n 2007?
* Assuming the Scranton bond was purchased at face value, what is the carrying value of the investment portfolio at 12/31/07?

Archibald Widgets, Inc. makes an inventory adjustment at year end to write is inventory down to the lower cost or market. Currently Archibald has 1000 widgets in inventory valued at $2,000.

Cost per unit:

Historical Cost: $2.00 per unit

Price Floor: .75 per unit

Price Ceiling: 1.75 per unit

Replacement Cost: 2.00 per unit

What adjustment would Archibald make on the books at the end of the year; Archibald doesn’t use an allowance account.