Rachel Jordan, a financial analyst at Alpha Capital, is analyzing Tarav Entertainment Inc. The company uses LIFO method in its inventory calculations. Persephone Industries owns a 8% stake in Tarav Entertainment. The securities are classified as held-for-trading securities, so on 1st Jan 2010 the company increased its stake to 50% in the company. Jordan is analyzing the effect of the increase in stake on Persephone’s financial statement.

| Inventory_{\text{LIFO}} in FY2010 | $10,270 |
| COGS_{\text{LIFO}} in FY2010 | $420,300 |
| Net Income_{\text{LIFO}} in FY2010 | $570,100 |
| LIFO Reserve in FY2009 | $92,340 |
| Tax Rate in FY2010 | 32% |

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**Question**

1. The Inventory using the FIFO method is closest to
   A. $ 130,470
   B. $ 125,240
   C. $ 140,270

2. The cost of goods sold using the FIFO method is closest to
   A. $ 420,210
   B. $ 392,440
   C. $ 440,210

3. The net income using FIFO is closest to
   A. $ 620,200
   B. $ 470,560
   C. $ 589,045

4. On 31st Dec 2010, Persephone’s shareholder’s equity on the balance sheet would most likely be
   A. Highest if Persephone is deemed to have control of Tarav
   B. Independent of the accounting method used for the investment in Tarav
   C. Highest if Persephone is deemed to have significant influence over Tarav.

5. In 2010, Persephone’s net profit margin would be highest if
   A. It is deemed to have control over Tarav
   B. It had not increased its stake in Tarav
   C. It is deemed to have significant influence over Tarav

6. On 31st Dec 2010, assuming control and recognition of goodwill, Persephone’s reported debt-to-equity ratio will most likely be highest if it accounts for its investments in Tarav using the;
   A. Equity method
   B. Full good will method
   C. Partial goodwill method