PET PROJECT EXPANSION – QUESTIONS Summer 2020

Assume that you have been hired as a consultant by Shelley Maze to help her and Luis Norman. She has asked you for your help on the GAAP income statements and the legal issues arising from the lease cancellation. Please write a *business report* for Ms. Maze using the case writing guidelines and report format guide from the Gateway website. Please incorporate material regarding the following questions:

Q. 1. Compute the net income per crocodile assuming that only one crocodile was caught, sold, and collected on in this year. Assume the costs of shipping the 500 crocodiles from Southeast Asia to the State of Gould is part of the $300,000 cost of catching them. The $50 shipping cost is the cost of shipping each crocodile from the holding tank in the State of Gould to the customer.

Q. 2. a. Prepare three income statements for the year assuming that revenue is to be recognized when:

* 1. Crocodiles have been caught (i.e. production complete).
  2. Crocodiles have been sold and delivered
  3. Cash collections are complete

b. What income would you report for 2008? Why? Support your answer with reference to appropriate FASB's rules.

Q. 3. Consider all of the facts presented (including the memo from the lawyer in attachment # 2).

1. What compensatory damages, if any, are owed to Clyde Property Management?
2. What additional facts might you need in order to fully answer this question?

Q. 4. What punitive damages, if any, are owed to Clyde Property Management? What additional facts might you need in order to fully answer this question?

Q. 5. Show the journal entry to record the legal liability arising from the potential lawsuit. (If you find there is no liability, show the entry needed if there were liability)