Cineplex is helpful information for the manager

Profession, Manager

Cineplex usesthe Straight-Line method in calculating amortization (“ Cineplex 2016 Annual Report”). In this method, amortization expense is the same for each year of the assetsuseful life (Jerry J. Weygandt 290). To calculate amortization in this method, residual value is deducted from the cost of the assets to determine the total amortizablecost of the asset (Jerry J. Weygandt 290). The amortizable cost is then dividedby the assets estimated useful life to determine the annual amortization method(Jerry J. Weygandt 290). Cineplex’s amortization represents property, leaseholds, equipment and of its intangible assets (“ Cineplex 2016 Annual Report”). Choosing how Cineplex values inventory impacts their cost of goods sold and theoverall state of finances (“ What Arethe Different Types of Inventory Methods?”). Cineplex uses a perpetualinventory method (“ Cineplex 2016 Annual Report). Since Cineplex has anactive inventory due to its reoccurring sales, it is the best to have ascanning system to constantly track the inventory that goes in and out (“ What Are the Different Types of InventoryMethods?”).

This is helpful information for the manager of Cineplex totrack the inventory on a daily basis and have exact figures at the end of theday (“ What Are the Different Types ofInventory Methods?”). Inventory at Cineplex is stated at the lower ofcost and at the net realizable value. The cost is determined using theFirst-In, First-Out (FIFO) method (“ Cineplex 2016 Annual Report”). The net realizable value is the estimated selling price less the applicableselling expenses (Jerry J.

Weygandt 290). Under this method, Cineplex allocatesthe oldest goods on hands to be sold first, this is what they assume (JerryJ. Weygandt 290). This method used by Cineplex eliminates obsolescence by usingthis method because they match the physical flow of their inventory very well (“ What Are the Different Types of InventoryMethods?”). Since Cineplex uses the FIFO method, this results in ahigher net income (Jerry J.

Weygandt 290). This is because their expenses arematched against their revenue (Jerry J. Weygandt 290). This method also givesCineplex the best balance sheet valuation and the highest cost of goods sold(Jerry J. Weygandt 290).