

**Would the costs related to the clothing vending machines that Uniqlo has installed in airports and shopping malls be expensed or capitalized?**

[Uniqlo](#), a Japanese clothing designer, manufacturer, and retailer, is installing vending machines in some airports and shopping malls in the U.S., including Oakland Airport (San Francisco), George Bush Intercontinental Airport (Houston), and Queens Center (New York.) Uniqlo's thermal jackets and parkas, which are thin, warm, and easily packable, are going to be stocked in the machines. Other clothing items will also be dispensed in the machines. Offerings will change with the seasons and customer preferences.

*Note: For the following questions, students should assume that Uniqlo accounts for its inventory on a perpetual basis and makes entries on a per-item basis. In real life, some level of aggregation of sales will likely occur.*

**Discussion Questions**

1. Would Uniqlo capitalize or expense the cost of the clothing vending machines?
2. Would Uniqlo capitalize or expense the installation cost of the clothing vending machines?
3. When would sales revenue for one parka in the vending machines be recognized?
4. When would the cost of one parka in the vending machine be moved from inventory to cost of goods sold?