

Weighted Average Method vs. Gross Profit Method

Directions:

Analyze the following scenarios and complete the necessary calculations

1. A computer store has 10 laptop units at a \$2,000 cost basis, 15 laptop units at a \$1,700 cost basis and 20 laptop units at a \$1,400 cost basis. Compute the inventory valuation using the **Weighted Average Method**.

Weighted Average Inventory Valued per Unit: _____

2. CryoTek sells stuffed animals for \$10 per unit and it costs CryoTek \$6 per unit to purchase the stuffed animals. Assume CryoTek has \$20,000 in yearly sales. Compute the value of the ending inventory using the **Gross Profit Method**.

A. Gross Profit per Unit: _____

B. Gross Profit Percentage: _____

C. Estimated Cost of Goods Sold: _____

Assume CryoTek bought \$500 of stuffed animals and had \$1,000 worth of stuffed animals in inventory.

D. Assigned Value of Cost of Goods Sold: _____

E. Inventory Using the Gross Profit Method: _____