

Inventory Questions

1. Why does a company need a control system for its merchandise inventory?
2. What information does tracking inventory provide to a business?
3. What is the difference between a periodic and perpetual inventory system?
4. What is the advantage to using a perpetual inventory system? Why is it difficult for some businesses to use it?
5. When is the best time for a business to take a physical inventory?
6. Which tracking system requires a physical inventory count for financial reporting purposes?
7. How does the consistency principle help owners, creditors, and the general public?
- 8.

Read the following memorandum and complete the assigned task.

		MEMORANDUM
TO:	Accounting Clerk	
FROM:	Accounting Manager	
DATE:	June 30, 20--	
SUBJECT:	Change in Inventory Method	
<p>We have received approval to change from the LIFO to the FIFO method of determining our inventory costs. Please calculate the cost of the Walk-A-Long Dolls using the FIFO method. There are 36 dolls in inventory.</p>		
Walk-A-Long Dolls	Beginning inventory	8@ \$15.45
	Purchases 6/11	12@ \$15.95
	6/17	10@ \$16.25
	6/22	6@ \$16.40

Instructions

1. What is the new value of the ending inventory?
2. Assume that all 36 dolls were sold for \$21.95. What is the gross profit for this item?