Inventory Review Project

Directions:

Analyze the following scenarios and compute the desired calculations.

1. Use the information below to calculate the value of inventory on hand December 31 and the cost of goods sold during December in the **FIFO Periodic Inventory system**:

December 1	Beginning Inventory	45 units @ $10.00 per unit
December 3	Purchase	95 units @ $11.00 per unit
December 8	Purchase	50 units @ $11.50 per unit
December 15	Sale	145 units @ $16.00 per unit
December 19	Sale	25 units @ $16.50 per unit
December 23	Purchase	85 units @ $12.00 per unit
December 30	Sale	65 units @ $17.00 per unit

A. Units Available for Sale: **45 + 95 + 50 + 85= 275**

B. Units Sold: **145 + 25 + 65 = 235**

C. Units in Ending Inventory: **275 - 235 = 40**

Cost of Goods Sold	Units	Unit Cost	Total
Sales From December 1 Inventory	45	$10.00	$450.00
Sales From December 3 Purchase	95	$11.00	$1,045.00
Sales From December 8 Purchase	50	$11.50	$575.00
Sales From December 23 Purchase	45	$12.00	$540.00
Total	235		$2610.00
Ending Inventory	**Units**	**Unit Cost**	**Total**
Inventory From December 23 Purchase	40	$12.00	$480.00

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2. A car store has 10 engine units at a $4,000 cost basis, 15 engine units at a $2,700 cost basis and 20 engine units at a $2,000 cost basis. Compute the inventory valuation using the **Weighted Average Method**.

   Weighted Average Inventory Value: **$2,066.67**

   10 x $4,000 = $40,000   15 x $2,700 = $40,500   20 x $2,000 = $40,000

   $40,000 + $40,500 + $40,000 = $120,500

   $120,500 / 45 = $2,677.78

3. InnoTek sells computer hard drives for $90 and it costs InnoTek $50 to buy the computer hard drives. Assume InnoTek has $40,000 in yearly sales. Compute the value of the ending inventory using the **Gross Profit Method**.

   A. Gross Profit: **$90 - $50 = $40**

   B. Gross Profit Percentage: **40 / 90 =.444444 x 100 = 44.4% (rounded to 44.4)**

   C. Estimated Cost of Goods Sold: **$40,000 - ($40,000 x 44.4 %) = $22,240**

   Assume InnoTek bought $5,000 of computer hard drives and had $10,000 worth of computer hard drives in inventory.

   D. Assigned Value of Cost of Goods Sold: **$5,000 + $10,000 = $15,000**

   E. Inventory Using the Gross Profit Method: **$27,000**
      $15,000 / $50 = 300 hard drives
      300 x $90 (price sold) = $27,000

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4. Use the information below to calculate the value of inventory on hand May 31 and the cost of goods sold during May in the **LIFO Periodic Inventory** system.

May 1	Beginning Inventory	55 units @ $10.00 per unit
May 3	Purchase	105 units @ $11.00 per unit
May 8	Sale	60 units @ $11.50 per unit
May 15	Purchase	155 units @ $16.00 per unit
May 19	Sale	35 units @ $16.50 per unit

    A. Units Available for Sale: **55 + 105 + 155 = 315**

    B. Units Sold: **60 + 35 = 95**

    C. Units in Ending Inventory: **315 - 95 = 220**

Cost of Goods Sold	Units	Unit Cost	Total
Sales From May 15 Inventory	95	$16.00	$1520.00
Total	95		$1520.00
Ending Inventory	**Units**	**Unit Cost**	**Total**
Inventory From May 15 Purchase	60	$16.00	$960.00
Inventory From May 3 Purchase	105	$11.00	$1155.00
Inventory From May 1	55	$10.00	$550.00
Total	220		$2665.00

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5. Tim has a business selling computers and computer parts on Amazon. An inventory count at the beginning of December shows he has $4,250 worth of inventory on hand. Over the month, he purchases another $4,830 worth of computer parts. Tim's inventory count at the end of December shows he has $5,650 of inventory on hand. Compute the cost of goods sold.

Cost of Goods Sold		
Account Name	Credit	Debit
Beginning Inventory	**$4,250**	
Purchases	**$4,830**	
Cost of Goods Available for Sale		**$9,080**
Ending Inventory		**($5,650)**
Total Cost of Goods Sold		**$3,430**