


Accounting II - Simplified for You



Average Cost Method

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Average Cost Method

Cost of units sold is based on average cost per unit

Item 123V -Floor Mats			
Purchases			
Date	Quantity	Unit Cost	Total Cost
7/1/2014	5	20	100
7/15/2014	10	23	230
7/27/2014	8	25	200
	23		\$ 530
Quantity (Units) available for sale:			23
Cost of Goods Available for sale:			\$530
Average Cost = Total Cost / Total Units Available for Sale = \$530/23 = \$23.04 per unit average			

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Average Cost Method

- Assume we sold 1 unit at \$50 selling price, unit sold is from purchase made

Cost of Goods Sold = \$23.04

1 unit x \$23.04 = \$23.04

Merchandise Ending Inventory = \$506.96

22 units x \$23.04 = \$506.96

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Income Statement

Unique Designs Income Statement For the Month Ended July 31, 20XX		
Sales Revenues	\$ 50.00	
- Cost of Goods Sold	(23.04)	
Gross Profit	\$ 26.96	
- Operating Expenses		XX
Net Income		XX

Cost of Goods Sold = \$23.04

1 unit x \$23.04 = \$23.04

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Balance Sheet

Unique Designs Balance Sheet July 31, 20XX			
Assets		Liabilities	
Cash	XXX	Accounts Payable	XXX
Accounts Receivable	XXX	Salaries Payable	XXX
Merchandise Inventory	\$ 506.96	Owner's Equity	
Office Equipment	XXX	Mary Smith, capital	XXX
Total Assets	XXX	Total liabilities and	XXX

Merchandise Ending Inventory = \$506.96

22 units x \$23.04 = \$506.96

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