# Inventories and Cost of Sales

Chapter 6

**Wild, Kwok, Venkatesh and Shaw**

**Fundamental Accounting Principles**

**3rd Edition**

# Chapter 6 Learning Objectives

**CONCEPTUAL**

**C1** Identify the items making up merchandise inventory.

**C2** Identify the costs of merchandise inventory.

**ANALYTICAL**

**A1** Analyze the effects of inventory methods for both financial and tax reporting.

**A2** Analyze the effects of inventory errors on current and future financial statements.

**A3** Assess inventory management using both inventory turnover and days' sales in inventory.

**PROCEDURAL**

**P1** Compute inventory in a perpetual system using the methods of specific identification, FIFO, and weighted average.

**P2** Compute the lower of cost and net realizable value of inventory.

**P3** Appendix 6A—Compute inventory in a periodic system using the methods of specific identification, FIFO, and weighted average.

**P4** Appendix 6B—Apply both the retail inventory and gross profit methods to estimate inventory.

**P5** Appendix 6C—Compute inventory in a perpetual system and a periodic system using LIFO.

# Learning Objective C1

Identify the items making up merchandise inventory.

# Determining Inventory Items

Merchandise inventory includes all goods that a company owns and holds for sale, regardless of where the goods are located when inventory is counted.

Items requiring special attention include:


Learning Objective C1: Identify the items making up merchandise inventory

# Goods in Transit

- FOB shipping point – goods included in buyer's inventory when shipped.
- FOB destination – goods included in buyer's inventory after arrival at destination.

# Goods on Consignment

- Consignor: owner of goods.
- Consignee: sells goods for the owner.
- Merchandise is included in the inventory of the consignor.
- Consignee never reports consigned goods in inventory.

# Goods Damaged or Obsolete

- Damaged or obsolete goods are not reported in inventory if they cannot be sold.
- Damaged or obsolete goods which can be sold are included in inventory at net realizable value.
- Net realizable value = sales price minus selling costs.
- Loss is recorded when damage or obsolescence occurs.

# Learning Objective C2

Identify the costs of merchandise inventory.

# Determining Inventory Costs

- Include all expenditures necessary to bring an item to a salable condition and location.
- Inventory cost = Invoice cost - discounts + other costs
  - Other costs include:
    - Shipping
    - Storage
    - Insurance
    - Import duties

# Internal Controls and Taking a Physical Count

- Most companies take a physical count of inventory at least once each year.

- When the physical count does not match the Merchandise Inventory account (due to theft, loss, damage, and errors), an adjustment must be made.

**Good internal controls over count include:**

1. Pre-numbered inventory tickets.
2. Counters have no inventory responsibility.
3. Counters confirm existence, amount, and condition of inventory.
4. Second count is taken by a different counter.
5. Manager confirms all items counted only once.

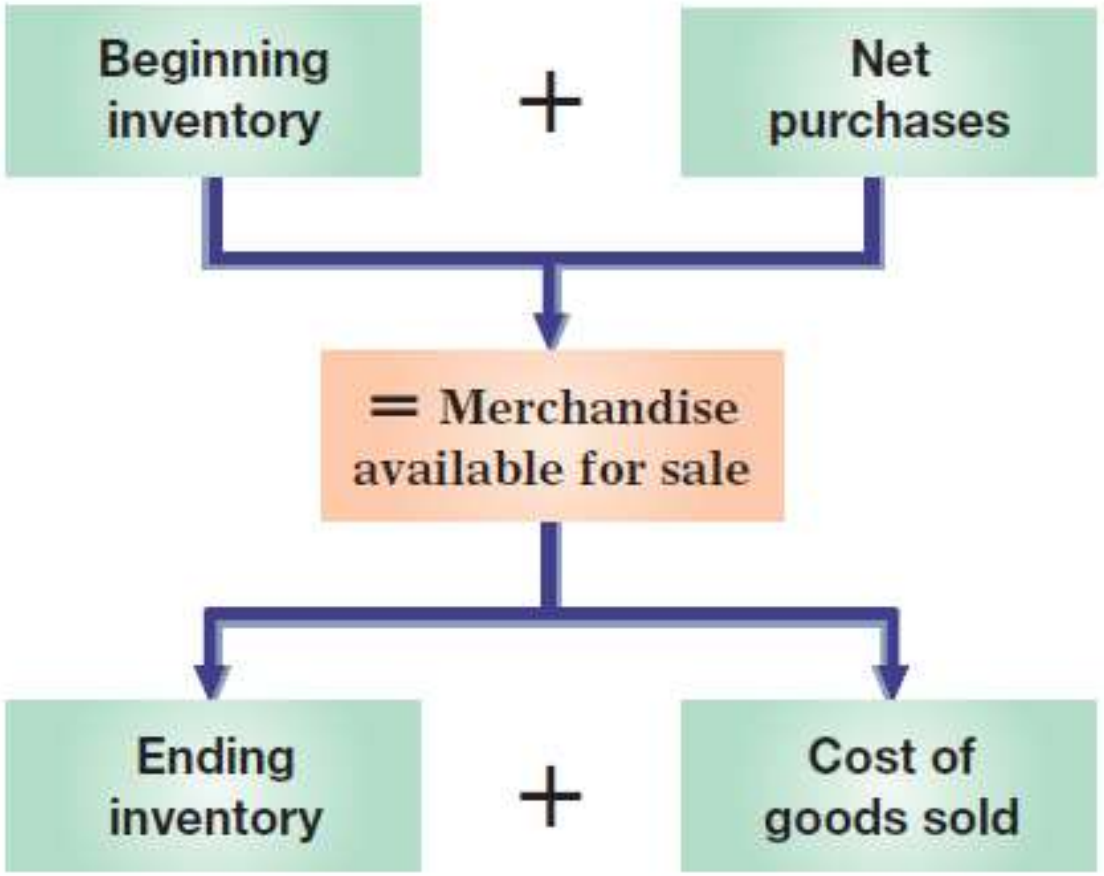
# Discussion Question

Q: What factors contribute to (or cause) inventory shrinkage?

# Learning Objective P1

Compute inventory in a perpetual system using the methods of specific identification, FIFO, and Weighted Average.

# Cost Flow of Inventory



# Inventory Costing Methods

Three methods are used to assign costs to inventory and to cost of goods sold:

1. Specific identification
2. First-in, First-out (FIFO)
3. Weighted average

**Physical flow and cost flow need not be the same**

# Inventory Cost Flow Assumptions

Assume that three identical units are purchased separately at the following three dates and costs: May 1 at $45, May 3 at $65, and May 6 at $70. One unit is then sold on May 7 for $100.

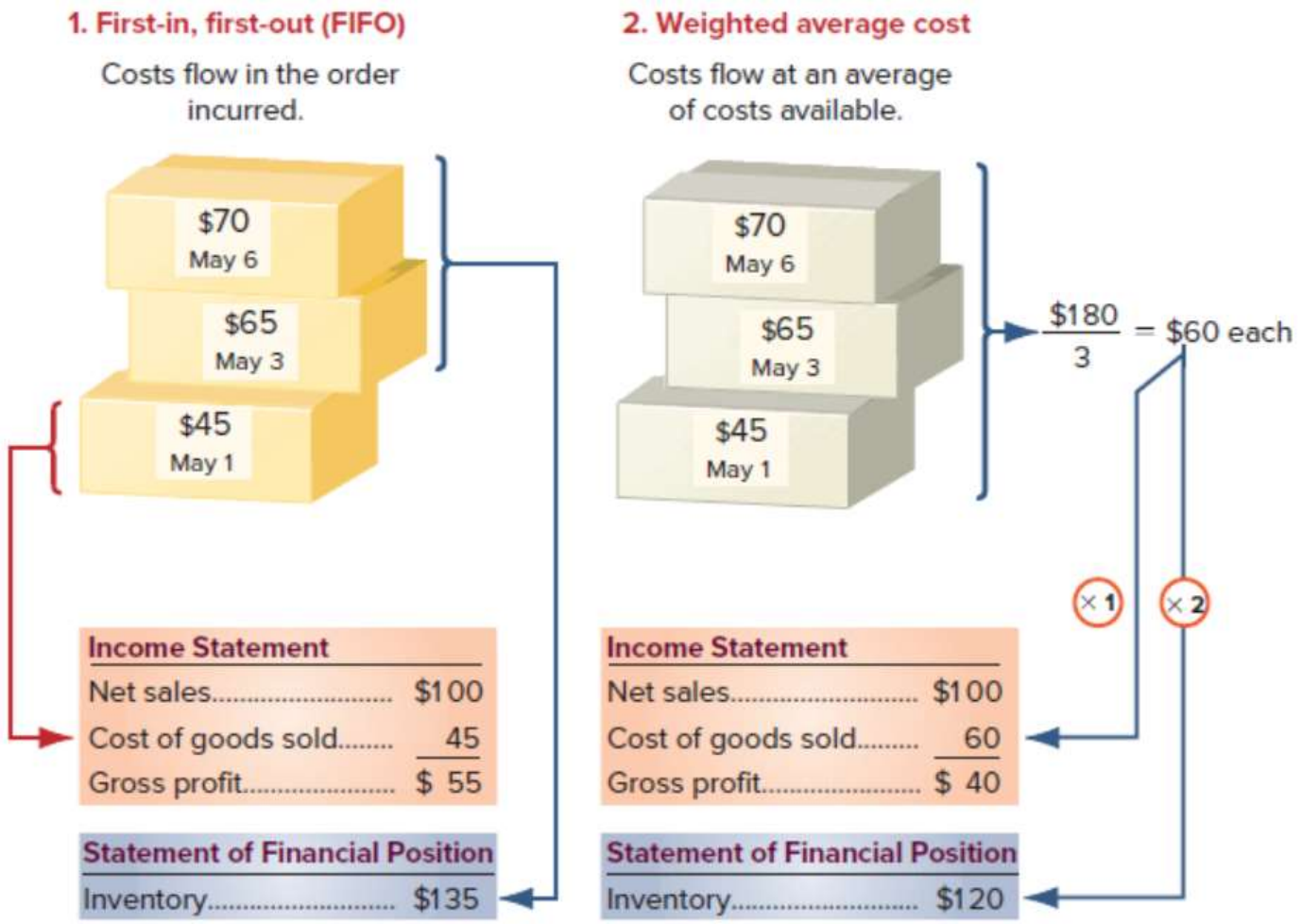
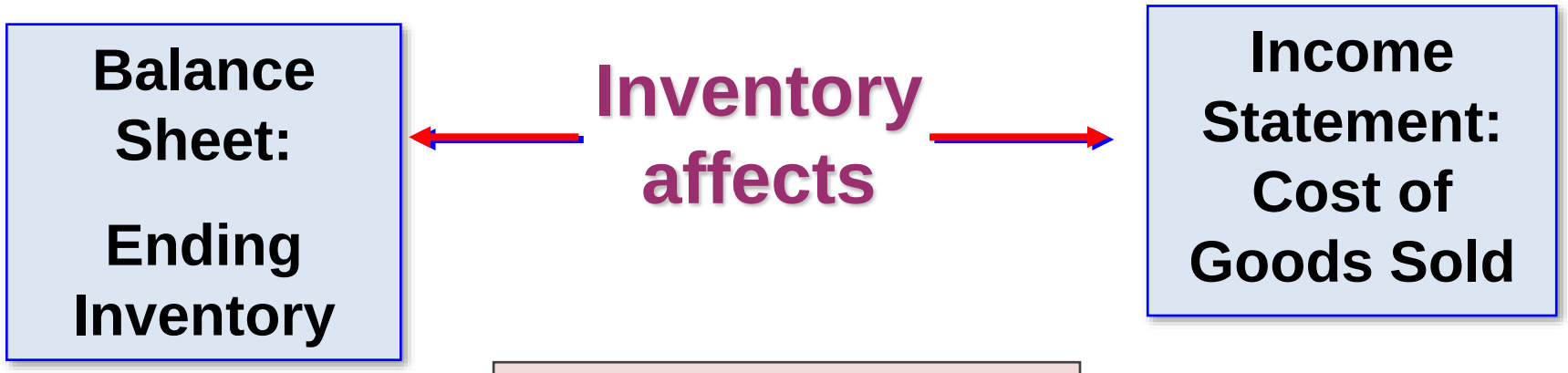



**Exhibit 6.1**



Learning Objective C2: Identify the costs of merchandise inventory

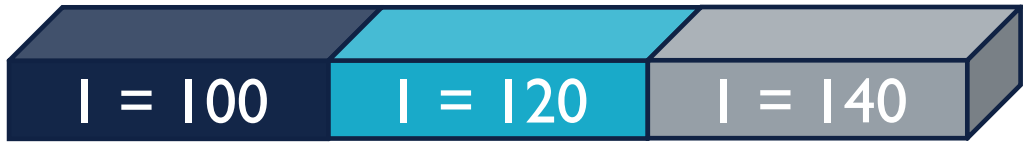
# Inventory Costing under a Perpetual System




Physical flow does not need to follow cost flow.

# INVENTORY COST METHODS

- **Specific identification**
  - Matches each unit of inventory with its actual cost

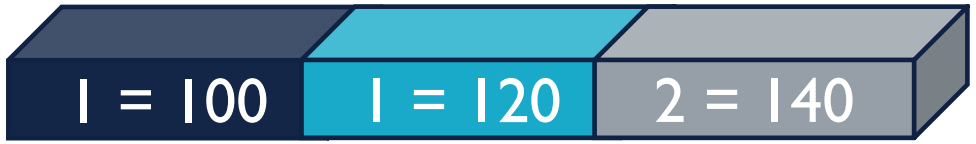



Sold to customer
Cost = $120 x 1 unit

What's left in inventory?
1 unit x $100 + 1 unit x $140
= $240 (Ending inventory)

- **Weighted-average cost**
  - *Assumes* units sold come from random mixture

$$\frac{\text{Cost of goods available for sale}}{\text{Number of units available for sale}}$$



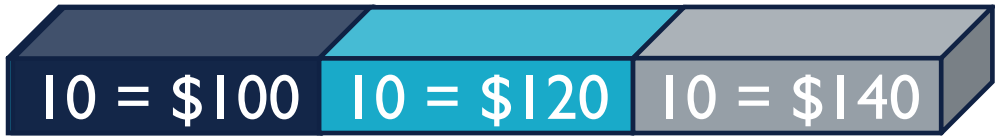

4 units = $125 / unit

Sold to customer
Cost = $125 x 1 unit

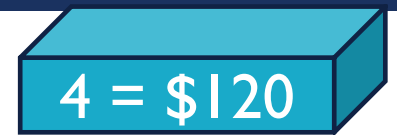
What's left in inventory?
3 units x $125 = $375 (Ending inventory)

# INVENTORY COST METHODS

- **First-in, first-out (FIFO)**
  - *Assumes* first units purchased are first ones sold




**Sold 14 units**




Cost
= 10 units x $100 + 4 units x $120
= $ 1,480

Ending inventory
= 6 units x $120 + 10 units x $140
= $2,120

- **Last-in, first-out (LIFO)**
  - *Assumes* last units purchased are first ones sold


Ending inventory
= 10 units x $100 + 6 units x $120
= $1,720

Cost
= 10 units x $140 + 4 units x $120
= $ 1,880

# Inventory Costing Illustration: Perpetual System

**Exhibit 6.2**

Here is information about the mountain bike inventory of Trekking for the month of August.

| Date | Activity | Units Acquired at Cost | Units Sold at Retail | Unit Inventory |
|---|---|---|---|---|
| Aug. 1 | Beginning inventory | 10 units @ $ 91 = $ 910 | | 10 units |
| Aug. 3 | Purchases | 15 units @ $106 = $ 1,590 | | 25 units |
| Aug. 14 | Sales | | 20 units @ $130 | 5 units |
| Aug. 17 | Purchases | 20 units @ $115 = $ 2,300 | | 25 units |
| Aug. 28 | Purchases | 10 units @ $119 = $ 1,190 | | 35 units |
| Aug. 30 | Sales | | 23 units @ $150 | 12 units |
| | Totals | 55 units | 43 units | |
| | | $5,990 | | |

Units available for sale

Goods available for sale

Units sold

Units left

Learning Objective P1: Compute inventory in a perpetual system using specific identification, FIFO, and weighted average

# Specific Identification- Perpetual :

August 14 Sold 8 bikes costing $91 each and 12 bikes costing $106 each
August 31 Sold 2 bikes costing $91 each, 3 bikes costing $106 each, 15 bikes costing $115 each, and 3 bikes costing $119 each

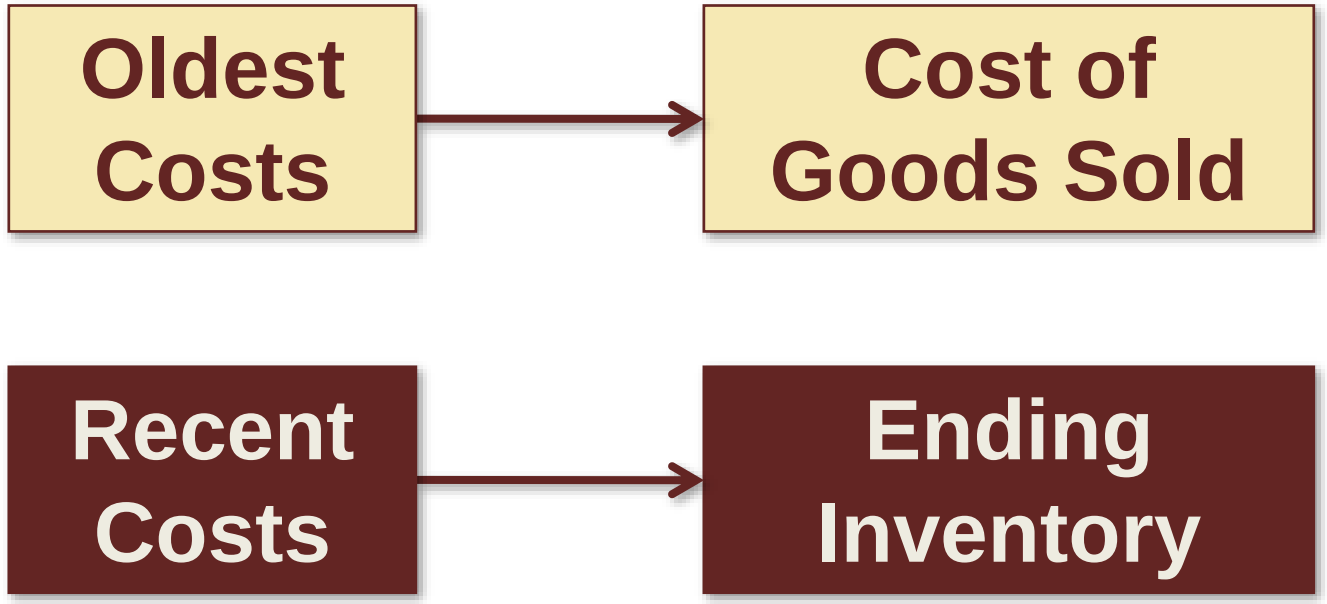

Learning Objective P1: Compute inventory in a perpetual system using specific identification, FIFO, and weighted average





Exhibit 6.3

# First-In, First-Out (FIFO): Definition Perpetual



# First-In, First-Out (FIFO): Perpetual

Exhibit 6.4

| Date | Goods Purchased | Cost of Goods Sold | | Inventory Balance | |
|---|---|---|---|---|---|
| Aug. 1 | Beginning balance | | | 10 @ $ 91 | = $ 910 |
| Aug. 3 | 15 @ $106 = $1,590 | | | 10 @ $ 91<br>15 @ $106 | = $ 2,500 |
| Aug. 14 | | 10 @ $ 91 = $ 910<br>10 @ $106 = $1,060 | = $1,970 | 5 @ $106 | = $ 530 |
| Aug. 17 | 20 @ $115 = $2,300 | | | 5 @ $106<br>20 @ $115 | = $ 2,830 |
| Aug. 28 | 10 @ $119 = $1,190 | | | 5 @ $106<br>20 @ $115<br>10 @ $119 | = $ 4,020 |
| Aug. 30 | | 5 @ $106 = $ 530<br>18 @ $115 = $2,070 | = $2,600<br>$4,570 | 2 @ $115<br>10 @ $119 | = $1,420 |

Learning Objective P1: Compute inventory in a perpetual system using specific identification, FIFO, and weighted average

# Weighted Average: Perpetual

When a unit is sold, the **average cost** of each unit in inventory is assigned to cost of goods sold.

Cost of Goods Available for Sale ÷ Units on hand on the date of sale

# Weighted Average: Perpetual

**Exhibit 6.5**

| Date | Goods Purchased | Cost of Goods Sold | Inventory Balance |
|---|---|---|---|
| Aug. 1 | Beginning balance | | 10 @ $ 91 = $ 910 |
| Aug. 3 | 15 @ $106 = $1,590 | | 10 @ $ 91<br>15 @ $106 } = $ 2,500 (or $100 per unit)[a] |
| Aug. 14 | | 20 @ $100 = **$2,000** | 5 @ $100 = $ 500 (or $100 per unit)[b] |
| Aug. 17 | 20 @ $115 = $2,300 | | 5 @ $100<br>20 @ $115 } = $ 2,800 (or $112 per unit)[c] |
| Aug. 28 | 10 @ $119 = $1,190 | | 5 @ $100<br>20 @ $115<br>10 @ $119 } = $ 3,990 (or $114 per unit)[d] |
| Aug. 31 | | 23 @ $114 = **$2,622** | 12 @ $114 = **$1,368** (or $114 per unit)[e] |
| | | **$4,622** | |

For the 20 units sold on August 14, the cost assigned is the $100 average cost per unit from the inventory balance column at the time of sale.

For the 23 units sold on August 31, the cost assigned is the $114 average cost per unit from the inventory balance column at the time of sale.

[a] $100 per unit = ($2,500 inventory balance ÷ 25 units in inventory).
[b] $100 per unit = ($500 inventory balance ÷ 5 units in inventory).
[c] $112 per unit = ($2,800 inventory balance ÷ 25 units in inventory).
[d] $114 per unit = ($3,990 inventory balance ÷ 35 units in inventory).
[e] $114 per unit = ($1,368 inventory balance ÷ 12 units in inventory).

**Learning Objective P1: Compute inventory in a perpetual system using specific identification, FIFO, and weighted average**

# Discussion Question

Q: Where is the amount of merchandise inventory disclosed in the financial statements?

**E6-3: Park Company reported the following March purchases and sales data for its only product.**

| Date | Activities | Units Acquired at Cost | | Units Sold at Retail |
|---|---|---|---|---|
| Mar. 1 | Beginning inventory | 150 units @ $7.00 = | $ 1,050 | |
| Mar. 10 | Sales | | | 90 units @ $15 |
| Mar. 20 | Purchase | 220 units @ $6.00 = | 1,320 | |
| Mar. 25 | Sales | | | 145 units @ $15 |
| Mar. 30 | Purchase | 90 units @ $5.00 = | 450 | |
| | Totals | 460 units | $2,820 | 235 units |

Park uses a perpetual inventory system. Determine the cost assigned to ending inventory and to cost of goods sold using (a) specific identification, (b) weighted average cost, and (c) FIFO. (Round per unit costs to three decimals, but inventory balances to the dollar.) For specific identification, ending inventory consists of 225 units, where 90 are from the March 30 purchase, 80 are from the March 20 purchase, and 55 are from beginning inventory.

(a) specific identification. Ending inventory consists of 225 units, where 90 are from the March 30 purchase, 80 are from the March 20 purchase, and 55 are from beginning inventory.

| Date | Activities | Units Acquired at Cost | | Units Sold at Retail |
|---|---|---|---|---|
| Mar. 1 | Beginning inventory | 150 units @ $7.00 = | $ 1,050 | |
| Mar. 10 | Sales | | | 90 units @ $15 |
| Mar. 20 | Purchase | 220 units @ $6.00 = | 1,320 | |
| Mar. 25 | Sales | | | 145 units @ $15 |
| Mar. 30 | Purchase | 90 units @ $5.00 = | 450 | |
| | Totals | 460 units | $2,820 | 235 units |

# (b) weighted average cost.

| Date | Activities | Units Acquired at Cost | | Units Sold at Retail |
|---|---|---|---|---|
| Mar. 1 | Beginning inventory | 150 units @ $7.00 = | $ 1,050 | |
| Mar. 10 | Sales | | | 90 units @ $15 |
| Mar. 20 | Purchase | 220 units @ $6.00 = | 1,320 | |
| Mar. 25 | Sales | | | 145 units @ $15 |
| Mar. 30 | Purchase | 90 units @ $5.00 = | 450 | |
| | Totals | 460 units | $2,820 | 235 units |

## (c) FIFO.

| Date | Activities | Units Acquired at Cost | | Units Sold at Retail |
|---|---|---|---|---|
| Mar. 1 | Beginning inventory | 150 units @ $7.00 = | $ 1,050 | |
| Mar. 10 | Sales | | | 90 units @ $15 |
| Mar. 20 | Purchase | 220 units @ $6.00 = | 1,320 | |
| Mar. 25 | Sales | | | 145 units @ $15 |
| Mar. 30 | Purchase | 90 units @ $5.00 = | 450 | |
| | Totals | 460 units | $2,820 | 235 units |

# Learning Objective A1

Analyze the effects of inventory methods for both financial and tax reporting.

# Financial Statement Effects of Inventory Costing Methods: Perpetual Method

**Because prices change, inventory methods nearly always assign different cost amounts.**

| TREKKING COMPANY<br>For Month Ended August 31 | Specific Identification | FIFO | Weighted Average Cost |
|---|---|---|---|
| **Income Statement** | | | |
| Sales | $ 6,050 | $ 6,050 | $ 6,050 |
| Cost of goods sold | 4,582 | 4,570 | 4,622 |
| Gross profit | 1,468 | 1,480 | 1,428 |
| Expenses | 450 | 450 | 450 |
| Profit before tax | 1,018 | 1,030 | 978 |
| Income tax expense (30%) | 305 | 309 | 293 |
| Net profit | $ 713 | $ 721 | $ 685 |
| **Statement of financial position** | | | |
| Inventory | $1,408 | $1,420 | $1,368 |

**If Cost of inventory regularly Increase**

| FIFO | | Weighted Average |
|---|---|---|
| COGS | < | COGS |
| Net Income | > | Net Income |
| Ending Inv. | > | Ending Inv. |

**If Cost of inventory regularly Decrease**

| FIFO | | Weighted Average |
|---|---|---|
| COGS | > | COGS |
| Net Income | < | Net Income |
| Ending Inv. | < | Ending Inv. |

**Exhibit 6.6**

Learning Objective A1: Analyze the effects of inventory methods for both financial and tax reporting

# Advantages of each method

- FIFO assigns an amount to inventory on the statement of financial position that approximates its current cost; it also mimics the actual flow of goods for most businesses.
- Weighted average cost tends to smooth out erratic changes in costs.
- Specific identification exactly matches the costs of items with the revenues they generate.

# Learning Objective P2

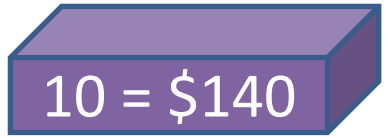
Compute the lower of cost and net realizable value of inventory.

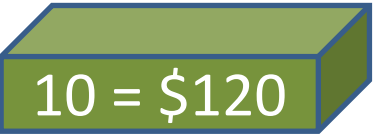
# Lower of cost and net realizable value (NRV)

Net realizable value (NRV) is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

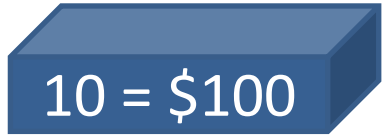
**Inventory must be reported at net realizable value when the net realizable value is lower than cost.**

If Cost < NRV → Reported at Cost




If Cost > NRV → Reported at NRV




Learning Objective P2: Compute the lower of cost and net realizable value of inventory

# Lower of cost and net realizable value (continued)

A motor sports retailer has the following items in inventory:

| Inventory Items | Units | Per Unit Cost | Per Unit NVR | Total Cost | Total NRV | Lower of Cost and NRV Applied to Items |
|---|---|---|---|---|---|---|
| **Cycles** | | | | | | |
| Roadster | 20 | $8,000 | $7,000 | $160,000 | $140,000 | $ 140,000 |
| Sprint | 10 | 5,000 | 6,000 | 50,000 | 60,000 | 50,000 |
| **Off-Road** | | | | | | |
| Trax-4 | 8 | 5,000 | 6,500 | 40,000 | 52,000 | 40,000 |
| Blazer | 5 | 9,000 | 7,000 | 45,000 | 35,000 | 35,000 |
| Totals | | | | $295,000 | | $265,000 |

$140,000 is the lower of $160,000 or $140,000

Exhibit 6.7

Journal entry to write down inventory follows:

| | | |
|---|---|---|
| Cost of Goods Sold | 30,000 | |
| Merchandise Inventory | | 30,000 |
| *Adjust inventory cost to NRV.* | | |

# Learning Objective A2

Analyze the effects of inventory errors on current and future financial statements.

# Income Statement Effects of Inventory Errors

Exhibits 6.8 and 6.9

| Ending Inventory | Year 1 Cost of Goods Sold | Year 1 Net Profit | Year 2 Cost of Goods Sold | Year 2 Net Profit |
|---|---|---|---|---|
| Understated ↓ | Overstated ↑ | Understated ↓ | Understated ↓ | Overstated ↑ |
| Overstated ↑ | Understated ↓ | Overstated ↑ | Overstated ↑ | Understated ↓ |

| Income Statements | Year 1 | | Year 2 | | Year 3 | |
|---|---|---|---|---|---|---|
| Sales | | $100,000 | | $100,000 | | $100,000 |
| Cost of goods sold | | | | | | |
| Beginning inventory | $20,000 | | $16,000* | | $20,000 | |
| Cost of goods purchased | 60,000 | | 60,000 | | 60,000 | |
| Goods available for sale | 80,000 | | 76,000 | | 80,000 | |
| Ending inventory | 16,000* | | 20,000 | | 20,000 | |
| Cost of goods sold | | 64,000† | | 56,000† | | 60,000 |
| Gross profit | | 36,000 | | 44,000 | | 40,000 |
| Expenses | | 10,000 | | 10,000 | | 10,000 |
| Net profit | | $ 26,000 | | $ 34,000 | | $ 30,000 |

*Correct amount is $20,000. †Correct amount is $60,000. Correct profit is $30,000 for each year.

Learning Objective A2: Analyze the effects of inventory errors on current and future financial statements

# Financial Statement Effects of Inventory Errors
# Balance Sheet Effects

Exhibit 6.10

| Ending Inventory | Assets | Equity |
|---|---|---|
| Understated ↓ | Understated ↓ | Understated ↓ |
| Overstated ↑ | Overstated ↑ | Overstated ↑ |

Learning Objective A2: Analyze the effects of inventory errors on current and future financial statements

# Discussion Question

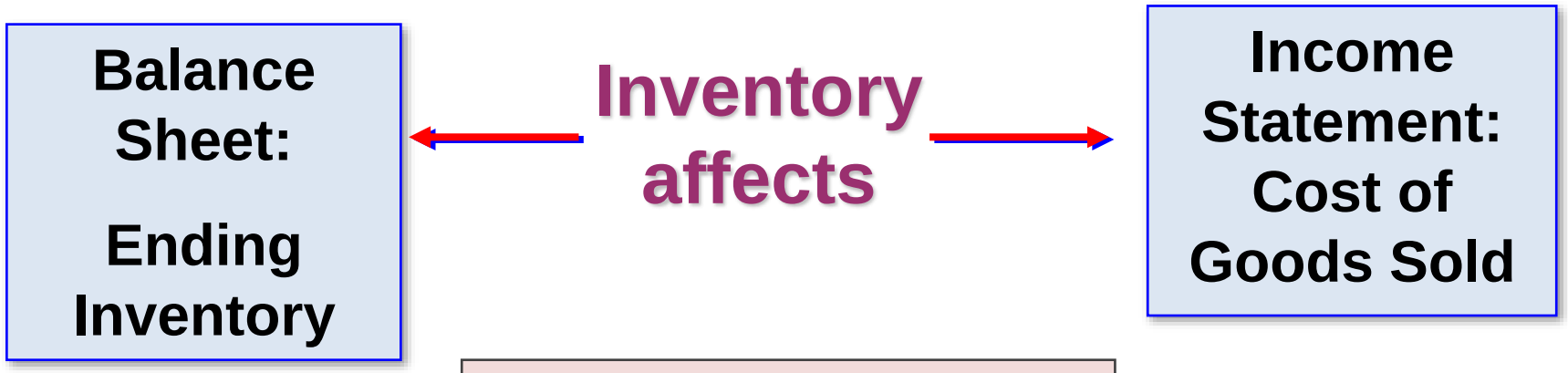
Q: Explain the following statement: “Inventory errors correct themselves.”

# Learning Objective P3

*Appendix 6A:*

Compute inventory in a periodic system using the methods of specific identification, FIFO, and weighted average.

# Inventory Costing under a Periodic System




Physical flow does not need to follow cost flow.

# Inventory Costing Illustration
# Periodic System

**Exhibit 6A.1**

| Date | Activity | Units Acquired at Cost | Units Sold at Retail | Unit Inventory |
|---|---|---|---|---|
| Aug. 1 | Beginning inventory | 10 units @ $ 91 = $ 910 | | 10 units |
| Aug. 3 | Purchases | 15 units @ $106 = $ 1,590 | | 25 units |
| Aug. 14 | Sales | | 20 units @ $130 | 5 units |
| Aug. 17 | Purchases | 20 units @ $115 = $ 2,300 | | 25 units |
| Aug. 28 | Purchases | 10 units @ $119 = $ 1,190 | | 35 units |
| Aug. 30 | Sales | | 23 units @ $150 | 12 units |
| | Totals | 55 units | 43 units | |
| | | $5,990 | | |

Units available for sale | Goods available for sale | Units sold | Units left

Learning Objective P3: Compute inventory in a periodic system using specific identification, FIFO, LIFO and weighted average

# Inventory Costing Illustration Periodic System Specification Identification

**Exhibit 6A.2**

"goods in" | "goods out" | "what's left"

| Date | Goods Purchased | Cost of Goods Sold | Inventory Balance |
|---|---|---|---|
| Aug. 1 | Beginning balance | | 10 @ $ 91 = $ 910 |
| Aug. 3 | 15 @ $106 = $1,590 | | 10 @ $ 91<br>15 @ $106 = $ 2,500 |
| Aug. 14 | | 8 @ $ 91 = $ 728<br>12 @ $106 = $1,272 = $2,000* | 2 @ $ 91<br>3 @ $106 = $ 500 |
| Aug. 17 | 20 @ $115 = $2,300 | | 2 @ $ 91<br>3 @ $106<br>20 @ $115 = $ 2,800 |
| Aug. 28 | 10 @ $119 = $1,190 | | 2 @ $ 91<br>3 @ $106<br>20 @ $115<br>10 @ $119 = $ 3,990 |
| Aug. 31 | | 2 @ $ 91 = $ 182<br>3 @ $106 = $ 318<br>15 @ $115 = $1,725<br>3 @ $119 = $ 357 = $2,582*<br>$4,582 | 5 @ $115<br>7 @ $119 = $1,408 |

For the 20 units sold on August 14, the company specifically identified that 8 of those had cost $91 and 12 had cost $106.

For the 23 units sold on August 31, the company specifically identified each bike sold and its acquisition cost from prior purchases.

* Identification of items sold (and their costs) is obtained from internal documents that track each unit from its purchase to its sale.

**Learning Objective P3: Compute inventory in a periodic system using specific identification, FIFO, LIFO and weighted average**

# Inventory Costing Illustration
# Periodic System - FIFO

| | | |
|---|---|---|
| Total cost of 55 units available for sale (from Exhibit 6A.1) | | $5,990 |
| Less ending inventory priced using FIFO | | |
| 10 units from August 28 purchase at $119 each | $1,190 | |
| 2 units from August 17 purchase at $115 each | 230 | |
| **Ending inventory** | | **1,420** |
| **Cost of goods sold** | | **$4,570** |

# Inventory Costing Illustration Periodic System – Weighted Average: Cost per Unit

Exhibits 6A.4 & 6A.5

| | | |
|---|---|---|
| **Step 1:** | 10 units @ $ 91 = | $ 910 |
| | 15 units @ $106 = | 1,590 |
| | 20 units @ $115 = | 2,300 |
| | 10 units @ $119 = | 1,190 |
| | 55 | $5,990 |
| **Step 2:** | $5,990/55 units = **$108.91** weighted average cost per unit | |

| | | |
|---|---|---|
| **Step 3:** | Total cost of 55 units available for sale (from Exhibit 6A.1) | $ 5,990 |
| | Less **ending inventory** priced on a weighted average cost basis: 12 units at $108.91 each (from Exhibit 6A.5a) | 1,307 |
| | **Cost of goods sold (43 units at $108.91 each)** | $4,683 |

Learning Objective P3: Compute inventory in a periodic system using specific identification, FIFO, LIFO and weighted average

# Periodic Inventory System Financial Statement Effects of Costing Methods

Because prices change, inventory methods nearly always assign different cost amounts.

| TREKKING COMPANY For Month Ended August 31 | Specific Identification | FIFO | Weighted Average Cost |
|---|---|---|---|
| **Income Statement** | | | |
| Sales | $ 6,050 | $ 6,050 | $ 6,050 |
| Cost of goods sold | 4,582 | 4,570 | 4,683 |
| Gross profit | 1,468 | 1,480 | 1,367 |
| Expenses | 450 | 450 | 450 |
| Profit before tax | 1,018 | 1,030 | 917 |
| Income tax expense (30%) | 305 | 309 | 275 |
| Net profit | $ 713 | $ 721 | $ 642 |
| **Statement of financial position** | | | |
| Inventory | $1,408 | $1,420 | $1,307 |

**E6-10: Park Company reported the following March purchases and sales data for its only product.**

| Date | Activities | Units Acquired at Cost | | Units Sold at Retail |
|---|---|---|---|---|
| Mar. 1 | Beginning inventory | 150 units @ $7.00 = | $ 1,050 | |
| Mar. 10 | Sales | | | 90 units @ $15 |
| Mar. 20 | Purchase | 220 units @ $6.00 = | 1,320 | |
| Mar. 25 | Sales | | | 145 units @ $15 |
| Mar. 30 | Purchase | 90 units @ $5.00 = | 450 | |
| | Totals | 460 units | $2,820 | 235 units |

Park uses the periodic inventory system. Determine the cost assigned to ending inventory and to cost of goods sold using (a) specific identification, (b) weighted average cost, and (c) FIFO. (Round per unit costs to three decimals, but inventory balances to the dollar.) For specific identification, ending inventory consists of 225 units, where 90 are from the March 30 purchase, 80 are from the March 20 purchase, and 55 are from beginning inventory.

(a) specific identification. Ending inventory consists of 225 units, where 90 are from the March 30 purchase, 80 are from the March 20 purchase, and 55 are from beginning inventory.

| Date | Activities | Units Acquired at Cost | | Units Sold at Retail |
|---|---|---|---|---|
| Mar. 1 | Beginning inventory | 150 units @ $7.00 = | $ 1,050 | |
| Mar. 10 | Sales | | | 90 units @ $15 |
| Mar. 20 | Purchase | 220 units @ $6.00 = | 1,320 | |
| Mar. 25 | Sales | | | 145 units @ $15 |
| Mar. 30 | Purchase | 90 units @ $5.00 = | 450 | |
| | Totals | 460 units | $2,820 | 235 units |

## (b) weighted average cost.

| Date | Activities | Units Acquired at Cost | | Units Sold at Retail |
|---|---|---|---|---|
| Mar. 1 | Beginning inventory | 150 units @ $7.00 = | $ 1,050 | |
| Mar. 10 | Sales | | | 90 units @ $15 |
| Mar. 20 | Purchase | 220 units @ $6.00 = | 1,320 | |
| Mar. 25 | Sales | | | 145 units @ $15 |
| Mar. 30 | Purchase | 90 units @ $5.00 = | 450 | |
| | Totals | 460 units | $2,820 | 235 units |

## (c) FIFO.

| Date | Activities | Units Acquired at Cost | | Units Sold at Retail |
|---|---|---|---|---|
| Mar. 1 | Beginning inventory | 150 units @ $7.00 = | $ 1,050 | |
| Mar. 10 | Sales | | | 90 units @ $15 |
| Mar. 20 | Purchase | 220 units @ $6.00 = | 1,320 | |
| Mar. 25 | Sales | | | 145 units @ $15 |
| Mar. 30 | Purchase | 90 units @ $5.00 = | 450 | |
| | Totals | 460 units | $2,820 | 235 units |

# End of Chapter 6