

3 At 1 January 2013, Brahms had opening inventory of 50 teddy bears at a purchase price of \$30 each.

Date		Purchases (units)	Purchase price (per unit)	Sales (units)
Jan	8			30
	10	100	\$30.00	
	12			80
	21	120	\$30.50	
	28			90
Feb	1			50
	14	150	\$31.00	
	23			100
March	1			30
	4	120	\$31.50	
	19			120
	23	100	\$32.00	
	27			120

No other transactions took place during these months. Each teddy bear was sold for \$50.

REQUIRED

- (a)** Calculate the value of the inventory at 31 March 2013 using the following methods of valuation.

- (i) FIFO

[3]

(ii) AVCO.

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(b) Using each method of valuation, calculate the gross profit for the three months ending 31 March 2013.

(i) FIFO

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(ii) AVCO.

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(c) State **one** advantage and **one** disadvantage of using the following methods of inventory valuation:

(i) FIFO

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(ii) AVCO.

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(d) Brahms currently uses FIFO to value his inventory. He is considering changing the method to show a lower profit each year. State **two** reasons why he should not do this. Make reference to any relevant accounting principles, concepts and conventions.

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[illegible]