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Part 3 of 3

1.81/1.81
points awarded

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Hint



Print



References

Explanation

Show correct answers

Required Information*[The following information applies to the questions displayed below.]*

Hemming Co. reported the following current-year purchases and sales for its only product.

Date	Activities	Units Acquired at Cost	Units Sold at Retail
Jan. 1	Beginning inventory	205 units @ \$10.20 = \$ 2,091	
Jan. 10	Sales		160 units @ \$40.20
Mar. 14	Purchase	300 units @ \$15.20 = 4,560	
Mar. 15	Sales		250 units @ \$40.20
July 30	Purchase	400 units @ \$20.20 = 8,080	
Oct. 5	Sales		375 units @ \$40.20
Oct. 26	Purchase	105 units @ \$25.20 = 2,646	
	Totals	1,010 units \$17,377	785 units

Required:

Hemming uses a periodic inventory system.

- (a) Determine the costs assigned to ending inventory and to cost of goods sold using FIFO.
 (b) Determine the costs assigned to ending inventory and to cost of goods sold using LIFO.
 (c) Compute the gross margin for each method.

a) Periodic FIFO				Cost of Goods Available for Sale			Cost of Goods Sold			Ending Inventory		
	# of units	Cost per unit	Cost of Goods Available for Sale	# of units sold	Cost per unit	Cost of Goods Sold	# of units in ending inventory	Cost per unit	Ending Inventory			
Beginning inventory	205	\$ 10.20	\$ 2,091	205	\$ 10.20	2,091	0					
Purchases:												
March 14	300	\$ 15.20	4,560	300	\$ 15.20	4,560	0					
July 30	400	\$ 20.20	8,080	280	\$ 20.20	5,656	120	\$ 20.20	2,424			
October 26	105	\$ 25.20	2,646	0		0	105	\$ 25.20	2,646			
Total	1,010		\$ 17,377	785		\$ 12,307	225		\$ 5,070			

b) Periodic LIFO				Cost of Goods Available for Sale			Cost of Goods Sold			Ending Inventory		
	# of units	Cost per unit	Cost of Goods Available for Sale	# of units sold	Cost per unit	Cost of Goods Sold	# of units in ending inventory	Cost per unit	Ending Inventory			
Beginning inventory	205	\$ 10.20	\$ 2,091	0			205	\$ 10.20	\$ 2,091			
Purchases:												
March 14	300	\$ 15.20	4,560	280	\$ 15.20	4,256	20	\$ 15.20	304			
July 30	400	\$ 20.20	8,080	400	\$ 20.20	8,080	0					
October 26	105	\$ 25.20	2,646	105	\$ 25.20	2,646	0					

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Totals	1,010 units		\$17,377		785 units

Required:
Hemming uses a periodic inventory system.

- Determine the costs assigned to ending inventory and to cost of goods sold using FIFO.
- Determine the costs assigned to ending inventory and to cost of goods sold using LIFO.
- Compute the gross margin for each method.

a) Periodic FIFO			Cost of Goods Available for Sale			Cost of Goods Sold			Ending Inventory		
	# of units	Cost per unit	Cost of Goods Available for Sale	# of units sold	Cost per unit	Cost of Goods Sold	# of units in ending inventory	Cost per unit	Ending Inventory		
Beginning inventory	205	\$ 10.20	\$ 2,091	205	\$ 10.20	2,091	0				
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b) Periodic LIFO			Cost of Goods Available for Sale			Cost of Goods Sold			Ending Inventory		
	# of units	Cost per unit	Cost of Goods Available for Sale	# of units sold	Cost per unit	Cost of Goods Sold	# of units in ending inventory	Cost per unit	Ending Inventory		
Beginning inventory	205	\$ 10.20	\$ 2,091	0			205	\$ 10.20	\$ 2,091		
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March 14	300	\$ 15.20	4,560	280	\$ 15.20	4,256	20	\$ 15.20	304		
July 30	400	\$ 20.20	8,080	400	\$ 20.20	8,080	0				
October 26	105	\$ 25.20	2,646	105	\$ 25.20	2,646	0				
Total	1,010		\$ 17,377	785		\$ 14,982	225		\$ 2,395		

c) Gross Margin			FIFO	LIFO
Sales	\$ 31,557		\$ 31,557	
Cost of goods sold	\$ 12,307		\$ 14,982	
Gross margin	\$ 19,250		\$ 16,575	

Explanation