Solution:

The perpetual and periodic inventory methods are two of the most popular methods that are used for inventory valuation to check the value of the goods sold. They are both advantageous and disadvantageous in their respective fields.

Let’s understand the difference between them now:

1. **Perpetual System**

In the perpetual system, the cost of goods sold is added directly to the account of the COGS while the inventory account is decreased by the same number. This number is the valuation of the goods that is sold.

Thus, perpetual system works by “perpetually” adding the value of the item sold to COGS “on-the-fly” while removing it from the Inventory account at the same time.

This method is accurate, because it ensures that each single transaction is taken care of and the COGS is accurately calculated. There is also no special entry needed to be done at the end of the accounting period, as the accounts are already populated based on the data.

The only disadvantage of such a method is that it requires a lot of software and capital. Inventing such a continuous monitoring system requires good capital and can be problematic for new companies, but well-known companies like Amazon, Walmart etc. are known to be using this method.

2. **Periodic Inventory System**

This is another simple accounting practice where no entry is made when the sale is done. Instead, at the end of the accounting period, the inventory is counted physically, and the COGS equation is used to determine the COGS:

$$\text{COGS} = \text{Inventory Change} + \text{Purchase of Goods}$$

The advantage of this method is that it is easy to implement and can be used by smaller stores and firms.

However, the method is not reliable to estimate the inventory shrinkage that could occur due to theft by the employees, resulting in inaccurate measurements.

Thus, this method is simple but not widely used by large firms.