COGS Handout

1. The following account information is from Bossy Inc. for the fiscal year 2013:

	2013	2012
Sales	1,500,000	1,250,000
Inventories	600,000	500,000

Over 2013, Bossy purchased $550,000 worth of inventory.

Questions:

a. Compute cost of goods sold for 2013.
b. Compute the gross profit percentage for 2013

2. The following information applies for Backes Corp as of December 1st, 2013.

Beginning inventory	4,000 units costing $13.00/unit
Sales during 2013	60,000 units sold for $70.00/unit
Purchases during 2013	100,000 units costing $45.00/unit

Backes values their inventory using the periodic LIFO method. The company can buy an additional 5,000 units at $60/unit before December 31st.

a. Calculate the cost of goods sold and gross margin without the additional purchase.
b. Calculate the cost of goods sold and gross margin with the additional purchase of 5,000 units.
c. Backes releases their income statement on December 31, 2013. If they wish to reduce their taxes, should Backes make the additional purchase before year-end?

3. The following information is for Francis Inc.

	Units	Price/Unit	Total
10/1 Balance	200	$2.00	$400
Purchases			
6-Oct	500	$2.10	$1,050
13-Oct	600	$2.30	$1,380
18-Oct	200	$2.40	$480
22-Oct	900	$2.60	$2,340
Available for sale	2,400		$5,650
Sales			
7-Oct	400	$4.10	$1,640.00
14-Oct	700	$4.30	$3,010.00
19-Oct	300	$4.50	$1,350.00
23-Oct	400	$4.60	$1,840.00
29-Oct	100	$4.80	$480.00
Total Sales	1,900		$8,320

Required:

A. Assume Francis uses the periodic inventory cost method. Calculate the cost of goods sold and the ending inventory balances using the FIFO, LIFO, and Weighted Average methods.

B. Which of the following methods will result in the lowest net income? Why might some firms prefer to use this method and reduce their net income?

C. Assume Francis uses the perpetual costing method. Calculate the cost of goods sold and the ending inventory balances using the FIFO, LIFO, and Moving Average methods.

4. The following balances are from the December 31, 2015 unadjusted trial balance of Carlton Company:

Inventory (1/1)	$64,000
Sales	2,200,000
Sales returns and allowance	150,000
Purchases	1,450,000
Purchase returns and allowances	20,000
Purchase discounts	25,000
Freight-in	40,000

A physical inventory on December 31, found inventory equal to $230,000 on-hand. Carlton uses the periodic inventory method. What is cost of goods sold for 2015?