Inventory

Inventory is a physical product which is purchased and sold by the company.

Example: raw materials, industrial product or any kind of product.

Types of inventory

There are three types of inventories.

- > Beginning inventory
- > Purchasing inventory
- Sold inventory
- Ending inventory

Beginning inventory: beginning inventory is an inventory by which the owner starts the business.

Purchasing inventory: inventory which the owner is purchasing.

Sold inventory: inventory which has already been sold.

Ending inventory: after selling inventory, the owner has remained inventory.

Calculation of ending inventory = beginning inventory + purchased inventory – sold inventory.

Methods of inventory valuation:

There are four methods of inventory valuation.

- Specific indentification method
- First-in First-out (FIFO) method
- Last-in First-out (LIFO) method
- Weighted average method

RED COMPANY

1. Calculation cost of ending inventory under FIFO method in periodic :

The ending inventory = 1200 units

Date	Units	Units cost(taka)	Total cost(taka)
November 1	900 9088	3.20 8848 6	2880
July 5	300	3.04	912
34.7.5	Total =1200	TRUMPER MINE	Total=3792

2. Calculation cost of ending inventory under LIFO method:

Date	Units	Units cost	Total cost
January 2	700	2.96	2072
March 31	500	2.80	1400
TVIGICII 31	Total=1200		Total=3472

3. Calculation cost of ending inventory under Weighted-average method:

Date on borbs	Units show you	Units cost a 1200 (taka)	Total cost (taka)
January 2	700	2.96	2072
March 31	600 minu	2.80	1680
July 5	1200	3.04	3648
November 1	900	3.20	2880
Others The	Total=3400	OCOME ISIOT AND	Total=10280

Total cost of inventory = 10280

Total units = 3400

Weighted average cost of inventory = (10280÷3400) taka

=3.02 taka

Cost of ending inventory = (1200×3.02)

= 3624

Non-operating revenue and expenses: Add: Non-operating revenue: Interest revenue Less: non-operating expenses: Interest expense Net income	Balan Dece	0000 0000 0000
invomA inubma	Explanations	
	Assots	

Sumon enterprise

Statement of owner's equity

For the month ended December 31, 1987

Explanations	amount
Sumon's capital (December, 1987)	0000 accumulated deprecia
Add: net income	0000 accumulated deprecia
Less: sumon's drawing	0000 rotal assets
Sumon's capital (December 31, 1987)	0000 Liabilities and
6.000 6:00	Peccent payaria

MADDOX COMPAYNY

We know that ending inventory = beginning inventory + purchased inventory - sold inventory.

$$= (700 + 3700 - 3300)$$

= 1100 units

 Calculation of cost of ending inventory under FIFO method in periodic procedure.

Date	Units	Units cost	Total cost
November 28	900	4.50	4050
September 30	200	3.40	680
	Total=1100	THE RESERVE	Total=4730

1. Calculation of cost of ending inventory under LIFO method in periodic procedure :

Date	Units	Units cost	Total cost
January 1	700	5.20	3640
February 2	400	5.00	2000
	Total=1100		Total=5640

2. Calculation of cost of ending inventory under WEIGHTED-AVERAGE method in periodic procedure:

Date	Units	Units cost	Total cost
January 1	700	5.20	3640
February 2	500	5.00	2500
April 5	1000	4.00	4000
June 15	600	3.50	2100
September 30	700	3.40	2340
November 28	900	4.50	4050
	Total=4400		Total=18630

Weighted average unit cost= (18630÷4400)

Classified income statement someind hellizasis to abself

Classified income statement is a statement which shows operating and non-operating revenues and expenses in order to know net income of merchandise company.

A classified statement has the following four majors sections:

- Operating revenues
- Cost of goods sold
- Operating expenses
- Non-operating revenues and expenses

Needs of preparing classified income statement:

- The classified income statement shows important relationships that helps analyzing how well the company is performing.
- Operating expenses are subdivided into selling and administrative expenses so the statement user can see how much expense is being incurred in selling the product and how much in administering the business.
- > Comparisons can be made with other years for the same business and with other businesses.
- ➤ Non -operating revenues and expenses appear at the bottom of the income statement because they are less significant in assessing the profitability of the business.

Classified balance sheet

Classified balance sheet is a record of all assets, liabilities and owner's equity in order to provide more specific information for the users of financial statement.

Needs of classified balance sheets:

We can know about financial condition of company.

con energy appealments to contact the uppersonal financial statement.

ar ability of the business.

- Information of all assets and liabilities.
- > Amount of owner's equity
- How much current assets and liabilities
- > How much long-term assets and liabilities.

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ors

	FIFO	LIFO OD DAR	WIEGHTED- AVERAGE
Cost of goods available for sales	10280	10280	10280
Less: ending inventory	3792	3472	3624
Cost of goods sold	6488	6808	6656

We know that in which method cost of goods sold is low that method gross margin is high.

So, gross margin is high in FIFO method.

P9-4-A

WRIGHT COMPANY

1.) Calculation cost of ending inventory under FIFO method in periodic :

		0.01	
Date	Units 8.5	Units cost(taka)	Total cost(taka)
December 31	12000	12.00	144000
July 7	2000	10.50	21000
* Totals1023	Total =14000	0048=16161	Total=165000

The ending inventory = 14000units

2. Calculation cost of ending inventory under LIFO method:

Date	Units 5550	3-11-1		
The state of the s	Offics	Units cost	Total cost	
January 1	4000	7.50	30000	
January 7 10000	10000	9.00	90000	
	Total=14000			
			Total=120000	

Summon enterprise

Balance sheet

December 31, 1987

Explanations	Amount	Amount	amount
Assets			
Current assets:			
Cash		0000	
Account receivable	1	0000	
Note receivable		0000	
Marketable securities		0000	
Prepaid expenses Total current assets		<u>0000</u>	
Total current assets			00000
Property, plant and equipment:			
Land	V _I II	_	0000
Building contended	0000		
Less: accumulated depreciation	000	en mul.	
	0.000		0000
Office equipment	0000	adn Liba	
Less: accumulated depreciation	000		
			0000
Others long-term assets			0000
Total assets	warb kind	mue in J	00000
.000			
Liabilities and owner's equity	ed) Lille	Succeeds	
Current liabilities:			
Account payable		0000	
Notes payable		0000	
Accrued /unpaid expenses		0000	
Unearned fees		0000	
Total current liabilities			0000
Long-term liabilities:			
Loan			0000
Note payable(long)			0000
Owner's equity:			
Sumon , capital			0000
Total liabilities and owner's equity			00000

OAKES LAMP COMPANY

Income statement

For the ended month December 31, 1987

Explanations	Amount	Amount	Amount	amount
Operating revenue:				551500
Gross sales	DE MERCONDO		0700	227200
Less: sales discounts	<u>r</u>	7701 175	3700	
Sales returns and allowances			2000	
Net sales	vi		21.1	5700
Less: cost of goods sold:	In highteness		Managara and	545800
Merchandise inventory , 1/1/87		Ottomas 9	41600	
purchases		312900		
less: purchase discounts	2600	-		l
purchase return and allowances	1400			
paration		4000		
net purchases	,	308900		1
add: transportation-in	-	7300		
edd. ddisportation iii			316200	
net cost of purchases			357800	
cost of goods available for sale			55500	
less: merchandise inventory 31/12/87			55500	302300
cost of goods sold	-			243500
Gross margin				245500
Less: operating expenses:				
Sales salaries expense	64000			
Add: accrued	1400			
Aud. dea dea	1400	65.400		
Advertising expense		65400		
Delivery expense		12000		
Office salaries expenses		4600	1	1
Insurance expenses		74000		
Depreciation expenses –store building		2500		1
Depreciation expenses-store fixture		2200		1 46
2		5560		
				166260
Add: non-operating revenue:	1		1	77240
Interest revenue				400
Less: non-operating expenses:		1		77640
interest expense				2000
Net income				75640

OAKES LAMP COMPANY

Statement of owner's equity

For the ended month December 31, 1987

explanations	amount
Oakes, capital (December 31, 1987) Add: net income	220180 75640
Less: Oakes' drawing Oakes' capital (December 31,1987)(amount will be transferred to balance sheet)	295820
	rapidining . To a defendance of .
300000 John 1 Jo	orbang real

OAKES LAMP COMPANY

Balance sheet

For the ended month December 31, 1987

Explanations	Amount	Amount	amount
<u>Assets</u>			
Current assets:		57200	
Cash	4	48300	
Account receivable		55500	
Merchandise inventory	2000	33300	
Prepaid insurance	2900		
Less: insurance expense	2500	400	
		400	161400
Total current assets			101400
The state of the s			
Property, plant and equipment:			60000
Land		440000	00000
Store building	22000	110000	
Less: accumulated depreciation	33000	= -	
New	2200		
		35200	74800
			74800
Store fixtures		155600	
Less: accumulated depreciation	11120		
New	5560		
		16680	
Total assets			38920
			<u>335120</u>
<u>Liabilities and owner's equity</u>			
Current liabilities:	1	37900	
Account payable		1400	
Accrued sales salaries			39300
Total current liabilities			
Owner's equity:			295820
Dakes' capital (amount has come from statement of	,		335120
owner's equity)			222120

Total liabi	lities and owner's ed	quity	1
		PARANTAD SIVERARANTAD	
- 1		tought ends in B	
		and the second s	
		For the ended month De	
Account amount		Lxplanation	
. NO.		Assets .	
		Furrent assets:	
00-15		Cash	
boer			
1,005.1		Wilstchandite Inventory	
		Frenaic insurance Less: insurance expense	
400	1.07. 2	34134 3 33110 134 11 121 131	
017131		Total current assers	
		Property, plant and equipment:	
0.0009		Land	
110000		Store billding	
Land Land	2200	Less: adjumulated depreciation	
	Wilder .	AA-1801	
00327			
		at arm Tixtures	
	13.120	Less criumulated deprediation	
		Wor	
	-		
		Lotal assets	
		Labilities and owner's ritted	
		Current liabilities:	
1400		Account payable	
		Account salaries	
		Tives on a soliday to a second	
		Owner's equity: Oakes' capital (amount has correction statement of	
		owner's equity)	
		Panalage Dates	

P14-11-A

Calculation of capital gain or loss:

Sold on non cash assets

= tk. 540000

Less: non cash assets

= <u>tk. 780000</u>

Loss on sales of non cash assets tk. 240000

Step-1: Sales of non cash assets:

Date	Explanations	turn (R.f	Debit taka	Credit tak
0000	Cash loss on sales of non cash assets non cash assets To record loss on sales of non cash assets	0008 dr. dr. cr.		540000 240000	780000

Step-2: Distribution of profit on sales of non cash assets:

D-4-	Explanations	and the same of th	R.f	Debit taka	Credit taka
Date	Moore, capital $\left(\frac{240000}{3}\right)$	dr.		80000 80000	Explanati
	Neal, capital $\left(\frac{240000}{3}\right)$	008 dr.	en assats	80000	Loss on S
	Oscar, capital $(\frac{240000}{3})$	dr.			240000
	Loss on sales of non cash assets To record loss of profit on sales of non cash assets	cr.			240000

Step-3: Settlement of partnership liabilities:

Date	Explanations		R.f	Debit taka	Credit tak
A SHEET OF THE	Account payable cash To record settlement of partnership liabilities 400000	dr. cr.	A	400000	400000

Cash

Explanation	Taka	Explanation	taka
Non-cash assets	540000	Account payable	400000
TOO NOT THE RESERVE AND ADDRESS OF THE PARTY	Vissing in among	Balance C/D	140000
		pooce	780000
Balance B/D	<u>780000</u>	CAT MAL	
DESCRIPTION OF THE PROPERTY OF	140000		