

Question 2 (20 marks)

Building Supplies Pte Ltd is a supplier of cements to the building and construction industry. The following transactions were recorded for the month of Aug 2006.

Purchase record

		<u>Kg</u>	<u>Cost/Kg</u>	\$
1 Aug	Opening Stock	420	\$5.60	2352
6 Aug	Purchased	1,120	\$6.65	7448
12 Aug	Purchased	840	\$7.70	6468
15 Aug	Purchased	1,260	\$8.40	10584

Sales record

		<u>Kg</u>	<u>Price/Kg</u>	
17 Aug	Sales	2,100	\$11.90	24990
25 Aug	Sales	700	\$14.00	9800

REQUIRED:

- (a) Calculate the ending inventory and the gross profit for the month of August under each of the three inventory costing methods :

- (i) Weight Average Cost
- (ii) LIFO
- (iii) FIFO

Show your workings.

(16 marks)

- (b) What observations can you make regarding the portrayal of financial position and performance under each method when prices are increasing?

(4 marks)