**(FIFO and LIFO Effects)**

You are the vice-president of finance of Mickiewicz Corporation, a retail company that prepared two different schedules of gross margin for the first quarter ended March 31, 2010. These schedules appear below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Sales ($5 per unit) | Cost of Goods Sold | Gross Margin |
|  | Schedule 1 | $154,600 | $143,965 | $10,635 |
|  | Schedule 2 | 154,600 | 149,197 | 5,403 |

The computation of cost of goods sold in each schedule is based on the following data.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Units | | Cost per Unit | | Total Cost | |
|  | Beginning inventory, January 1 | 10,780 |  | $4.50 |  | $48,510 |  |
|  | Purchase, January 10 | 8,780 |  | 4.70 |  | 41,266 |  |
|  | Purchase, January 30 | 6,780 |  | 4.75 |  | 32,205 |  |
|  | Purchase, February 11 | 9,780 |  | 4.80 |  | 46,944 |  |
|  | Purchase, March 17 | 12,780 |  | 4.90 |  | 62,622 |  |

Peggy Flemming, the president of the corporation, cannot understand how two different gross margins can be computed from the same set of data. As the vice-president of finance you have explained to Ms. Flemming that the two schedules are based on different assumptions concerning the flow of inventory costs, e.g., FIFO and LIFO. Schedules 1 and 2 were not necessarily prepared in this sequence of cost flow assumptions.

Prepare two separate schedules computing cost of goods sold and supporting schedules showing the composition of the ending inventory under both cost flow assumptions

|  |  |  |
| --- | --- | --- |
| **Mickiewicz Corporation** | | |
| **Schedules of cost of goods sold** | | |
| **For the First Quarter Ended March 31, 2010** | | |
|  | Schedule 1 First-in, First-out | Schedule 2 Last-in, First-out |
| Beginning inventory | $ | $ |
| Plus purchases |  |  |
| Cost of goods available for sale |  |  |
| Less ending inventory |  |  |
| Cost of goods sold | $ | $ |

|  |  |
| --- | --- |
| Schedules Computing Ending Inventory | |
|  | Units |
| Beginning inventory |  |
| Plus purchases |  |
| Units available for sale |  |
| Less sales |  |
| Ending inventory |  |