

Exercise 9-8
Perpetual inventory using
LIFO

Objectives 3, 4

Inventory balance, June 30, \$797

Exercise 9-9
Perpetual inventory using
LIFO

Objectives 3, 4

Inventory balance, October 31,
\$1,680

Exercise 9-10
Perpetual inventory using
LIFO

Objectives 3, 4

Inventory balance, October 31,
\$1,820

Exercise 9-11
LIFO, LIFO costs under
perpetual inventory system

Objectives 3, 4

a. \$800

Exercise 9-12
Identify items missing in
determining cost of
merchandise sold

Objective 5

Exercise 9-13
Cost of merchandise sold
and related items

Objective 5

SPREADSHEET

Assume that the business in Exercise 9-7 maintains a perpetual inventory system, costing by the last-in, first-out method. Determine the cost of merchandise sold for each sale and the inventory balance after each sale, presenting the data in the form illustrated in Exhibit 4.

Beginning inventory, purchases, and sales data for cell phones for October are as follows:

Inventory		Purchases		Sales	
Oct. 1	30 units at \$110	Oct. 6	10 units at \$120	Oct. 11	9 units
		21	15 units at \$130	16	24 units
				31	8 units

Assuming that the perpetual inventory system is used, costing by the LIFO method, determine the cost of the inventory balance at October 31, presenting data in the form illustrated in Exhibit 4.

Assume that the business in Exercise 9-9 maintains a perpetual inventory system, costing by the first-in, first-out method. Determine the cost of the inventory balance at October 31, presenting the data in the form illustrated in Exhibit 3.

The following units of a particular item were available for sale during the year:

Beginning inventory	19 units at \$46
Sale	15 units at \$90
First purchase	32 units at \$48
Sale	25 units at \$90
Second purchase	40 units at \$50
Sale	35 units at \$90

The firm uses the perpetual inventory system, and there are 16 units of the item on hand at the end of the year. What is the total cost of the ending inventory according to (a) FIFO, (b) LIFO?

For (a) through (d), identify the items designated by "X."

- Purchases - (X + X) = Net purchases.
- Net purchases + X = Cost of merchandise purchased.
- Merchandise inventory (beginning) + Cost of merchandise purchased = X.
- Merchandise available for sale - X = Cost of merchandise sold.

The following data were extracted from the accounting records of My Computers Company for the year ended November 30, 2003:

Merchandise Inventory, December 1, 2002	\$ 75,750
Merchandise Inventory, November 30, 2003	88,200
Purchases	625,000
Purchases Returns and Allowances	14,500
Purchases Discounts	12,950
Sales	870,625
Transportation In	6,950

- ✓ a. Cost of merchandise sold, \$592,050

- a. Prepare the cost of merchandise sold section of the income statement for the year ended November 30, 2003, using the periodic inventory method.
- b. Determine the gross profit to be reported on the income statement for the year ended November 30, 2003.

Exercise 9-14
Cost of merchandise sold

Objective 5



- ✓ Correct cost of merchandise sold, \$499,700

How many errors can you find in the following schedule of cost of merchandise sold for the current year ended December 31, 2002?

Cost of merchandise sold:			
Merchandise inventory, December 31, 2002	.....		\$ 75,000
Purchases	.....	\$500,000	
Plus: Purchases returns and allowances	.....	\$12,500	
Purchases discounts	.....	6,500	
		19,400	
Gross purchases	.....	\$519,000	
Less transportation in	.....	12,400	
		506,600	
Cost of merchandise purchased	.....		506,600
Merchandise available for sale	.....		\$581,600
Less merchandise inventory, January 1, 2002	.....		81,300
			\$500,300
Cost of merchandise sold	.....		\$500,300

Exercise 9-15
Periodic inventory by three methods

Objectives 3, 5

- ✓ b. \$990

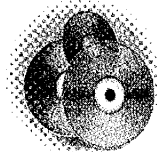
The units of an item available for sale during the year were as follows:

Jan. 1	Inventory	25 units at \$24
Feb. 4	Purchase	10 units at \$25
July 20	Purchase	30 units at \$28
Dec. 30	Purchase	35 units at \$30

There are 40 units of the item in the physical inventory at December 31. The periodic inventory system is used. Determine the inventory cost by (a) the first-in, first-out method, (b) the last-in, first-out method, and (c) the average cost method.

Exercise 9-16
Periodic inventory by three methods; cost of merchandise sold

Objectives 3, 5



SPREADSHEET

- ✓ a. Inventory, \$1,254

The units of an item available for sale during the year were as follows:

Jan. 1	Inventory	21 units at \$60
Mar. 4	Purchase	29 units at \$65
Aug. 7	Purchase	10 units at \$68
Nov. 15	Purchase	15 units at \$70

There are 18 units of the item in the physical inventory at December 31. The periodic inventory system is used. Determine the inventory cost and the cost of merchandise sold by three methods, presenting your answers in the following form:

Inventory Method	Cost	
	Merchandise Inventory	Merchandise Sold
a. First-in, first-out	\$	\$
b. Last-in, first-out		
c. Average cost		

Exercise 9-17
Lower-of-cost-or-market inventory

Objective 7

On the basis of the following data, determine the value of the inventory at the lower of cost or market. Assemble the data in the form illustrated in Exhibit 7.

Instructions

Record the appropriate unit costs on the inventory sheet, and complete the pricing of the inventory. When there are two different unit costs applicable to an item, proceed as follows:

1. Draw a line through the quantity, and insert the quantity and unit cost of the last purchase.
2. On the following line, insert the quantity and unit cost of the next-to-the-last purchase.
3. Total the cost and market columns and insert the lower of the two totals in the Lower of C or M column. The first item on the inventory sheet has been completed as an example.

Problem 9-5A

Retail method; gross profit method

Objective 9

- ✓ 1. \$98,070
- ✓ 2. a. \$163,750

Selected data on merchandise inventory, purchases, and sales for Typhoon Co. and Wheaton Co. are as follows:

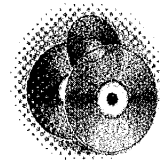
	Cost	Retail
Typhoon Co.		
Merchandise inventory, August 1	\$ 90,650	\$ 129,500
Transactions during August:		
Purchases (net)	735,420	1,050,600
Sales		1,050,000
Sales returns and allowances		10,000
Wheaton Co.		
Merchandise inventory, April 1	\$ 147,800	
Transactions during April and May:		
Purchases (net)	1,047,950	
Sales	1,750,000	
Sales returns and allowances	30,000	
Estimated gross profit rate	40%	

Instructions

1. Determine the estimated cost of the merchandise inventory of Typhoon Co. on August 31 by the retail method, presenting details of the computations.
2. a. Estimate the cost of the merchandise inventory of Wheaton Co. on May 31 by the gross profit method, presenting details of the computations.
b. Assume that Wheaton Co. took a physical inventory on May 31 and discovered that \$148,300 of merchandise was on hand. What was the estimated loss of inventory due to theft or damage during April and May?

PROBLEMS SERIES B**Problem 9-1B**

Fifo perpetual inventory

Objectives 3, 4

SPREADSHEET

- ✓ 3. \$239,800

The beginning inventory of drift boats at River's Edge Co. and data on purchases and sales for a three-month period are as follows:

Date	Transaction	Number of Units	Per Unit	Total
March 1	Inventory	15	\$2,200	\$ 33,000
8	Purchase	25	2,250	56,250
11	Sale	10	5,000	50,000
22	Sale	13	5,000	65,000
April 3	Purchase	15	2,300	34,500
10	Sale	10	5,100	51,000
21	Sale	5	5,100	25,500
30	Purchase	25	2,350	58,750
May 5	Sale	20	5,150	103,000
13	Sale	12	5,150	61,800
21	Purchase	20	2,400	48,000
28	Sale	15	5,200	78,000