

On January 1, Parker Limited had a beginning inventory of 30 toilet seats which had cost the company \$11 each.

During the year, the following purchase transactions took place:

March 21	Purchased 20 units for \$11
August 7	Purchased 40 units for \$12
November 18	Purchased 10 units for \$13
December 23	Purchased 20 units for \$13

During the year, the company also sold 70 units.

Instructions

- Determine the cost of goods available for sale, assuming that the company is using a periodic inventory system.
- Determine (1) the cost of goods sold and (2) the cost of the ending inventory under each of the three cost flow assumptions (FIFO, weighted average, and LIFO).

Action Plan

- The **cost of goods available for sale** is the same under all cost flow assumptions. It is calculated as beginning inventory plus net purchases (quantity X unit price).
- The number of units sold is the same under all methods. To determine the **Cost of Goods Sold** under the FIFO (first-in, first-out) method, start counting forward from the beginning inventory (if any) until you reach the number of units sold; under the LIFO (last-in, first-out) method, start counting backwards from the last purchase date; and under the weighted average method, divide total goods available for sale in dollars by the total goods available for sale in units.
- The quantity (number of units) in **ending inventory** is the same under all methods. To determine the total cost under the FIFO method, start from the last unit purchased; under the LIFO method, start from beginning inventory; and under the weighted average method calculate and apply the weighted average unit cost.