

Solution

Chapter 6 — Demonstration Problem 1

A

COST OF GOODS AVAILABLE FOR SALE				
Date	Explanation	Units	Unit Cost	Total Cost
Jan. 1	Beginning inventory	100	\$200	\$20,000
Mar. 15	Purchase	300	224	67,200
July 20	Purchase	250	235	58,750
Sept. 4	Purchase	200	238	47,600
Sept. 5	Purchase return	(50)	238	(11,900)
Dec. 2	Purchase	<u>100</u>	250	<u>25,000</u>
	Total	<u>900</u>		<u>\$206,650</u>

B

FIFO

1. Ending Inventory

Date	Units	Unit Cost	Total Cost
Sept. 4	100	\$238	\$23,800
Dec. 2	<u>100</u>	250	<u>25,000</u>
	<u>200</u>		<u>\$48,800</u>

2. Cost of goods sold

Cost of goods available for sale	\$206,650
Less: Ending inventory	<u>48,800</u>
Cost of goods sold	<u>\$157,850</u>

Proof

Date	Units	Unit Cost	Total Cost
Jan. 1	100	\$200	\$ 20,000
Mar. 15	300	224	67,200
Jul. 20	250	235	62,500
Sept. 4	<u>50</u>	238	<u>11,900</u>
	<u>700</u>		<u>\$157,850</u>

LIFO

1. Ending Inventory

Date	Units	Unit Cost	Total Cost
Sept. 4	100	\$200	\$20,000
Dec. 2	<u>100</u>	224	<u>22,400</u>
	<u>200</u>		<u>\$42,400</u>

2. Cost of goods sold

Cost of goods available for sale	\$206,650
Less: Ending inventory	<u>42,400</u>
Cost of goods sold	<u>\$164,250</u>

Proof

Date	Units	Unit Cost	Total Cost
Mar. 15	200	\$224	\$44,800
Jul. 20	250	235	58,750
Sept. 4	150	238	35,700
Dec. 2	<u>100</u>	250	<u>25,000</u>
			<u>\$164,250</u>

WEIGHTED-AVERAGE COST

1. Ending Inventory

Calculate unit cost: $\$206,650 \div 900 = \229.61

Units	Unit Cost	Total Cost
200	\$229.61	<u>\$45,922</u>

2. Cost of goods sold

Cost of goods available for sale	\$206,650
Less: Ending inventory	<u>45,922</u>
Cost of goods sold	<u>\$160,728</u>

Proof

700 units sold * \$229.61 average unit cost= \$160,728