

**20-M MASTERY PROBLEM (LO2, 3, 4), p. 640**

**Determining the cost of inventory using the FIFO, LIFO, and weighted-average inventory costing methods**

1.

<b>STOCK RECORD</b>						
Description <u>Print Cartridge</u>			Stock No. <u>120-HP</u>			
Reorder <u>40</u>		Minimum <u>20</u>		Location <u>Bin 27-X</u>		
1	2	3	4	5	6	7
INCREASES			DECREASES			BALANCE
DATE	PURCHASE INVOICE NO.	QUANTITY	DATE	SALES INVOICE NO.	QUANTITY	QUANTITY
			Jan. 1		16	16

**20-M MASTERY PROBLEM (continued)**

**2. FIFO Method**

Purchase Dates	Units Purchased	Unit Price	Total Cost	FIFO Units on Hand	FIFO Cost
January 1, beginning inventory	16	\$ 9.96	\$ 159.36		
January 6, purchases					
April 14, purchases					
August 3, purchases					
December 12, purchases					
Totals					

**LIFO Method**

Purchase Dates	Units Purchased	Unit Price	Total Cost	LIFO Units on Hand	LIFO Cost
January 1, beginning inventory	16	\$ 9.96	\$ 159.36		
January 6, purchases					
April 14, purchases					
August 3, purchases					
December 12, purchases					
Totals					

**Weighted-Average Method**

Purchases			Total Cost
Date	Units	Unit Price	
January 1, beginning inventory	16	\$ 9.96	
January 6, purchases			
April 14, purchases			
August 3, purchases			
December 12, purchases			
Totals			

**20-M MASTERY PROBLEM (concluded)**

3.

	FIFO	LIFO	Weighted-Average
Merchandise Available for Sale			
Ending Inventory			
Cost of Merchandise Sold			

Lowest Cost of Merchandise Sold:



**20-C CHALLENGE PROBLEM (LO5), p. 640**

**Determining the cost of merchandise inventory destroyed in a fire**

**1.**

Gross profit on operations .....  
*Divided* by net sales .....  
*Equals* gross profit percentage of net sales (prior year) .....

**2.**

STEP 1:

Beginning inventory, May 1.....  
*Plus* net purchases for May 1 to May 12 .....  
*Equals* cost of merchandise available for sale.....

STEP 2:

Net sales for May 1 to May 12.....  
*Times* previous year's gross profit percentage.....  
*Equals* estimated gross profit on operations.....

STEP 3:

Net sales for May 1 to May 12.....  
*Less* estimated gross profit on operations.....  
*Equals* estimated cost of merchandise sold.....

STEP 4:

Cost of merchandise available for sale.....  
*Less* estimated cost of merchandise sold.....  
*Equals* estimated ending merchandise inventory.....

**3.**

Estimated merchandise inventory, May 12.....  
*Less* cost of merchandise inventory not destroyed.....  
*Equals* estimated cost of merchandise inventory destroyed.....



**20-C CHALLENGE PROBLEM (continued)**

4.

Albertson Painting Company

Income Statement

For the Period May 1 to May 12, 20--

																				% OF NET SALES
Operating Revenue:																				
Net Sales																				
Cost of Merchandise Sold:																				
Beginning Inventory, May 1																				
Net Purchases																				
Merchandise Available for Sale																				
Less Estimated Ending Inventory, May 12																				
Cost of Merchandise Sold																				
Gross Profit on Operations																				
Operating Expenses																				
Net Income																				

