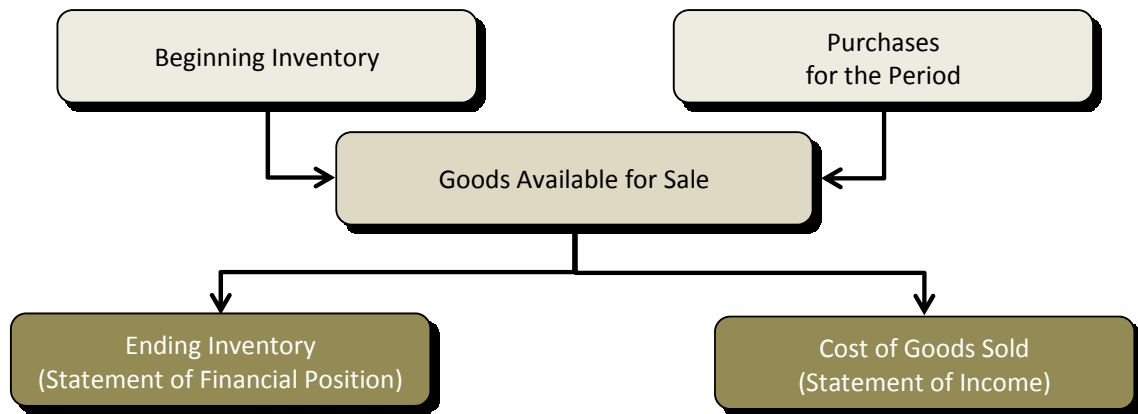


CHAPTER 7: REPORTING AN INTERPRETING COST OF GOODS SOLD AND INVENTORY

Exercise 1: The Cost of Goods Sold Equation

Beginning inventory	xx
+ Purchases	<u>xx</u>
Cost of goods available for sale	xx
- Ending inventory	(<u>xx</u>)
Cost of goods sold	<u>xx</u>



For each set of information, fill in the missing amounts.

	Set A	Set B	Set C	Set D	Set E
Beginning inventory	76,000	72,000	207,000	261,000	156,000
Purchases	104,000	272,000		450,000	393,000
Ending inventory	35,200		166,500	135,000	
Cost of goods sold		264,000	441,000		396,000

Exercise 5: Determining Ending Inventory and Cost of Goods Sold - Periodic Systems

Accounting records for Sunshine products indicate the following data for PH4 oil filters during 2014:

Jan 1	Beginning inventory	9 units @ \$3.00	\$27.00
Feb 23	Purchase	12 units @ \$3.50	42.00
Apr 20	Purchase	20 units @ \$3.80	76.00
Oct 11	Purchase	<u>17</u> units @ \$5.00	<u>85.00</u>
	Total	<u>58</u> units	<u>\$230.00</u>
Mar 16	Sold	13 units @ \$12.00	156.00
Nov 28	Sold	<u>32</u> units @ \$13.00	<u>416.00</u>
	Total	<u>45</u> units	<u>\$572.00</u>

A physical count indicates 13 units in inventory at year-end.

Assume the company uses **a periodic inventory system**, determine the cost of the ending inventory and the cost of goods sold, based on each of the following methods of inventory valuation.

a) FIFO

Cost of goods sold = \$.
 Cost of the ending inventory = \$.

b) Weighted Average Cost

Cost of goods sold = \$.
 Cost of the ending inventory = \$.

Jan 1	Beginning inventory	9 units @ \$3.00	\$27.00
Feb 23	Purchase	12 units @ \$3.50	42.00
Apr 20	Purchase	20 units @ \$3.80	76.00
Oct 11	Purchase	<u>17</u> units @ \$5.00	<u>85.00</u>
	Total	<u>58</u> units	<u>\$230.00</u>
Mar 16	Sold	13 units @ \$12.00	156.00
Nov 28	Sold	<u>32</u> units @ \$13.00	<u>416.00</u>
	Total	<u>45</u> units	<u>\$572.00</u>

Exercise 6: Valuation of Inventory: Lower of Cost or Net Realizable Value (NRV)

Amanda Corporation is preparing its financial statements for the year ending December 31, 2014. Ending inventory information about the three major items stocked for regular sale follows:

Item	Quantity on Hand	Cost Per Unit of Inventory When Acquired (FIFO)	Net Realizable Value (NRV) Per Unit at Year-End
AA	100	\$ 30	\$ 32
BB	150	80	80
CC	200	100	96

Compute the valuation that should be used for the ending inventory using the Lower of Cost or NRV rule applied on an item-by-item basis.

Item	Quantity	Cost Per Unit	Inventory at Cost	NRV Per Unit	Inventory at NRV	LCNRV Using Individual-Item Basis
	[A]	[B]	[A] x [B]	[C]	[A] x [C]	
AA	100	\$30		\$32		
BB	150	80		80		
CC	200	100		96		
Total						

- a) Assume the LCNRV rule is applied on the basis of **TOTAL INVENTORY**, prepare an adjusting journal entry to record the write-down of inventory valuation.

GENERAL JOURNAL			
Date	Account Titles and Explanation	Debit	Credit

AMANDA CORPORATION	
Statement of Financial Position (Partial)	
As of December 31, 2014	
Assets:	Liabilities:
_____	_____
_____	_____
_____	Stockholders' Equity:
_____	_____

- b) Assume the LCNRV rule is applied on the basis of **INDIVIDUAL ITEMS**, prepare an adjusting journal entry to record the write-down of inventory valuation.

GENERAL JOURNAL			
Date	Account Titles and Explanation	Debit	Credit

<p>AMANDA CORPORATION Statement of Financial Position (Partial) As of December 31, 2014</p>	
<p>Assets:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>Liabilities:</p> <p>_____</p> <p>_____</p> <p>Stockholders' Equity:</p> <p>_____</p>