PROBLEMS INVENTORY VALUATION (1-6)

Problem # 21.1: Use the following information of Fatima Malik and Co.

A company just starting business made the following four inventory purchases in June 2016:

June 1	150 unitsRs. 6.60/unit cost	Rs. 990
June 10	200 unitsRs. 6.30/unit cost	1,260
June 15	200 unitsRs. 5.85/unit cost	1,170
June 28	150 unitsRs. 5.20/unit cost	780
		_Rs. 4,200_

A physical count of merchandise inventory on June 30 reveals that there are 250 units on hand

Requirement (a): Using the periodic LIFO inventory method, the value of the ending inventory on June 30 is?

Solution:

Cost Ending Inventory

Units	@	Amount

Requirement (b): Using the periodic FIFO inventory method, the amount allocated to cost of goods sold for June is?

Solution:

Cost of goods sold

Units	@	Amount

Problem # 21.2: Adnan Naeem Imports, Ltd has the following information about the inventory of electronic components for October 2016.

Date	Quantity	Cost per item
Beginning Inventory	150	Rs. 32
5 October Purchase	200	Rs. 32
17 October Purchase	450	Rs. 31
28 October Purchase	100	Rs. 33

At the end of October, 220 components remained in inventory

Requirement (a): If uses the FIFO method of allocating inventory, what would is the cost of goods sold for October?

Solution:

Cost of goods sold

Units	@	Amount

Requirement (b): If company uses the FIFO method of allocating inventory costs, what would is the ending inventory?

Solution:

Cost Ending Inventory

Units	@	Amount

Requirement (c): If company uses the average cost method of allocating inventory costs, what would is the ending inventory for October?

Solution:

Cost Ending Inventory

Units	@	Amount

W. Avg Rate =

Problem # 21.3: Malik Company uses a periodic inventory system. The beginning inventory of a particular product, and the purchases during the current year, were as follows:

Jan.	1	Beginning inventory	60	units @	Rs. 105 =	Rs. 6,300
Mar.	8	Purchase	30	units @	115 =	3,450
Aug.	11	Purchase	90	units @	125 =	11,250
Oct.	23	Purchase	20	units @	135 =	2,700
		Total available for sale...	**200**	**units**		**Rs. 23,700**

At December 31, the ending inventory of this product consisted of 55 and selling price during year was Rs. 150

Using periodic costing procedures, determine *(1)* Cost of goods sold relating to this product and *(2)* Cost of the year-end inventory under each (LIFO, FIFO and W. Avg.) of the flow assumptions?

Solution: FIFO

Cost of Sales

Units	@	Amount

Cost Ending Inventory

Units	@	Amount

Solution: LIFO

Cost of Sales

Units	@	Amount

Cost Ending Inventory

Units	@	Amount

Solution: W. Avg

Cost of Sales

Units	@	Amount

Cost Ending Inventory

Units	@	Amount

W. Avg Rate =

Comparative Cost Sheet (in amount)

Methods	Balance	Purchases	(Closing Stock)	CGS	Sales	(CGS)	Gross Profit
FIFO							
LIFO							
Average							

Problem # 21.4: Prepare Store Leger Card (FIFO, LIFO and Average) and Comparative Cost Sheet from the following data.

July 01 Balance b/d ……………………………………………………	50 Units ………………………………..	@ 10 Each
July 05 Purchases ……………………………………………………	30 Units ………………………………..	@ 12 Each
July 09 Purchases ……………………………………………………	60 Units ………………………………..	@ 9 Each
July 13 Sales …………………………………………………………	70 Units ………………………………..	@ 18 Each
July 23 Purchases ……………………………………………………	40 Units ………………………………..	@ 8 Each
July 26 Purchases ……………………………………………………	20 Units ………………………………..	@ 16 Each
July 30 Sales …………………………………………………………	90 Units ………………………………..	@ 19 Each

Store Ledger Card (SLC) FIFO

Date	Description	Purchases			Sales			Balances		
		Units	@	Amount	Units	@	Amount	Units	@	Amount
1										
5										
9										
13										
23										
26										
30										
	Total	150		1,540	160		1,560	40		480

Store Ledger Card (SLC) LIFO

Date	Description	Purchases			Sales			Balances		
		Units	@	Amount	Units	@	Amount	Units	@	Amount
1										
5										
9										
13										
23										
26										
30										
	Total	**150**		**1,540**	**160**		**1,640**	**40**		**400**

Store Ledger Card (SLC) Average

Date	Description	Purchases			Sales			Balances		
		Units	@	Amount	Units	@	Amount	Units	@	Amount
1										
5										
9										
13										
23										
26										
30										
Total		**150**		**1,540**	**160**		**1,627.90**	**40**		**412**

Comparative Cost Sheet

Methods	Balance	Purchases	Closing Stock	CGS	Sales	Gross Profit
FIFO						
LIFO						
Average						

Problem # 21.5: Prepare Store Ledger Card (SLC) from the following information.

July 1 …………….. Beginning Inventory ……………………… 50 Pieces @ Rs. 20 ……………………………….. Rs. 1,000

2 …………….. Purchases …………………………………. 100 Pieces @ Rs. 25 ……………………………….. Rs. 2,500

9 …………….. Purchases …………………………………. 50 Pieces @ Rs. 28 ……………………………….. Rs. 1,400

18 ………….. Sales ………………………………………. 125 Pieces @ Rs. 30 ……………………………….. Rs. 3,725

20 ………….... Purchases …………………………………85 Pieces @ Rs. 32 ……………………………….. Rs. 2,720

22 …………… Purchase …………………………………… 100 Pieces @ Rs. 34 ……………………………….. Rs. 3,400

27 …………… Sales ………………………………………. 150 Pieces @ Rs. 29 ……………………………….. Rs. 4,350

Required: Determine the Cost of Sales, Cost of Closing Stock, Sales and Gross profit / loss under each of the following method by using perpetual inventory system, Cost are assigned on the basis of FIFO and Cost are assigned on the basis of Weighted Average

Store Ledger Card (SLC)   FIFO

Date	Description	Purchases			Sales			Balances		
		Units	@	Amount	Units	@	Amount	Units	@	Amount

Store Ledger Card (SLC) Weighted Average

Date	Description	Purchases			Sales			Balances		
		Units	@	Amount	Units	@	Amount	Units	@	Amount

Comparative Cost Sheet

Methods	*Balance*	*Purchases*	*Closing Stock*	*CGS*	*Sales*	*Gross Profit*
FIFO						
Average						

Problem # 21.6: Prepare Store Ledger Card (SLC) form the following information

Jan 1. Opening Stock ……………………………………… 400 units @ Rs. 30 ………………………………………… Rs. 12,000

2. Purchases ………………………………………… 200 units @ Rs. 28 ………………………………………… Rs. 5,600

15. Sales ……………………………………………… 125 units @ Rs. 50 ………………………………………… Rs. 6,250

21. Purchases ………………………………………… 80 units @ Rs. 25 ………………………………………… Rs. 2,000

27. Purchase ………………………………………… 100 units @ Rs. 32 ………………………………………… Rs. 3,200

29. Sales ……………………………………………… 175 units @ Rs. 48 ………………………………………… Rs. 8,400

30. Sales ……………………………………………… 140 units @ Rs. 55 ………………………………………… Rs. 7,700

Required

Determine the Cost of Sales, cost of Closing Stock and Gross profit under each of the following method by using perpetual inventory system.

a. Cost are assigned on the basis of LIFO

b. Cost are assigned on the basis of Weighted Average

Store Ledger Card (SLC)   LIFO

Date	Description	Purchases			Sales			Balances		
		Units	@	Amount	Units	@	Amount	Units	@	Amount

Store Ledger Card (SLC) Weighted Average

Date	Description	Purchases			Sales			Balances		
		Units	@	Amount	Units	@	Amount	Units	@	Amount

Comparative Cost Sheet

Methods	Balance	Purchases	Closing Stock	CGS	Sales	Gross Profit