1. Harris Company has shipped $\$ 20,000$ of goods to Harlow Co., and Harlow Co. has arranged to sell the goods for Harris.
a. Identify the consignor.

Harlow Co.

- Harris Co.
b. Identify the consignee.
- Harlow Co.
- Harris Co.
c. Which company should include any unsold goods as part of its inventory?
- Harris Co.
- Harlow Co.

2. At year-end, Harris Co. had shipped $\$ 12,500$ of merchandise FOB destination to Harlow Co. Which company should include the $\$ 12,500$ of merchandise in transit as part of its year-end inventory?

- Harlow Co.
- Harris Co.


## 2. 10 out of <br> 10.00

points
Walberg Associates, antique dealers, purchased the contents of an estate for $\$ 75,000$. Terms of the purchase were FOB shipping point, and the cost of transporting the goods to Walberg Associates' warehouse was $\$ 2,400$. Walberg Associates insured the shipment at a cost of $\$ 300$. Prior to putting the goods up for sale, they cleaned and refurbished them at a cost of $\$ 980$.

Determine the cost of the inventory acquired from the estate.
Cost of inventory (estate's contents)

| Price | $\checkmark$ \$ | 75,000 $\sqrt{ }$ |
| :---: | :---: | :---: |
| Transportation-in | $\checkmark$ | 2,400 |
| Insurance on shipment | $\checkmark$ | $300 \sqrt{ }$ |
| Cleaning and refurbishing | $\checkmark$ | $980 \sqrt{ }$ |
| Total cost of inventory | \$ | 78,680 |

[The following information applies to the questions displayed below.]
Laker Company reported the following January purchases and sales data for its only product.

| Date | Activities | Units Acquired at Cost |
| :--- | :--- | :--- |
| Jan. 1 | Beginning Inventory | 140 units @ $\$ 6.00=\$ 840$ |$)$

Laker Company uses a perpetual inventory system. For specific identification, ending inventory consists of 200 units, where 180 are from the January 30 purchase, 5 are from the January 20 purchase, and 15 are from beginning inventory.

## 3. 10 out of <br> 10.00

points

1. Complete the table to determine the cost assigned to ending inventory and cost of goods sold using specific identification.

## Specific Identification

|  | Available for Sale |  |  | Cost of Goods Sold |  |  |  | Ending Inventory |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Purchase Date | Activity | Units | Unit Cost | Units Sold | Unit Cost |  | GS | Ending InventoryUnits | Cost Per Unit |  |  |
| Jan. 1 | Beginning Inventory | 140 | \$ 6.00, | 125 , | \$ 6.00 | \$ | 750 | 15 | 6.00 | \$ | 90 |
| Jan. 20 | Purchase | 60 | \$ 5.00 | $55 \sqrt{\text { d }}$ | \$ 5.00 | \$ | 275 | 5 | 5.00 | \$ | 25 |
| Jan. 30 | Purchase | 180 | \$ $4.50 \sqrt{ }$ | 0 |  |  |  | 180 | 4.50 | \$ | 810 |
|  |  | 380 |  | 180 |  | \$ | 1,025 | 200 |  | \$ | 925 |

4
10 out of
10.00
points
2．Determine the cost assigned to ending inventory and to cost of goods sold using weighted average．
（Round cost per unit to 2 decimal places．Amounts to be deducted should be indicated with a minus sign．）

Weighted Average－Perpetual：

|  | Goods purchased |  | Cost of Goods Sold |  |  |  |  | Inventory Balance |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date |  | Cost per | $\begin{aligned} & \text { \# of units } \\ & \text { sold } \end{aligned}$ | Cost per unit | Cost of Goods Sold |  |  | \＃of units |  | Cost per unit |  | Inventory Balance |  |  |
| January 1 |  |  |  |  |  |  |  | 140 | ＠ | \＄ | 6.00 | $=$ | \＄ | 840.00 |
| January 10 |  |  | 100」＠ | \＄6．00 | $=$ | \＄ | 600.00 | 40」＠ |  | \＄ | $6.00 \checkmark$ | $=$ | \＄ | 240.00 |
| January 20 | $60 \checkmark$ | \＄5．00 |  |  |  |  |  | 40 | ＠ | \＄ | 6.00 | $=$ | \＄ | 240.00 |
|  |  |  |  |  |  |  |  | 60 | ＠ | \＄ | 5.00 | $=$ |  | 300.00 |
| Average cost |  |  |  |  |  |  |  | 100 | ＠ | \＄ | 5.40 ， |  | \＄ | 540.00 |
| January 25 |  |  | 80」＠ | \＄ 5.40 ， | $=$ | \＄ | 432.00 | $20 \sqrt{ }$ | ＠ | \＄ | $5.40 \checkmark$ | $=$ | \＄ | 108.00 |
| January 30 | 180 $\sqrt{ }$ | \＄4．50， |  |  |  |  |  | 20 | ＠ | \＄ | 5.40 | $=$ | \＄ | 108.00 |
|  |  |  |  |  |  |  |  | 180 | ＠ | \＄ | 4.50 | $=$ |  | 810.00 |
| Totals |  |  |  |  |  | \＄ | 1，032．00 | 200 | ＠ | \＄ | 4.59 \} |  | \＄ | 918.00 |

$5 \quad \begin{aligned} & \text { award: } \\ & 10 \text { out of }\end{aligned}$
10.00
points
. Determine the cost assigned to ending inventory and to cost of goods sold using FIFO.

## Perpetual FIFO:

|  | Goods purchased |  |  | Cost of Goods Sold |  |  |  |  |  |  | Inventory Balance |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date | \# of units |  | Cost per unit | \# of units sold |  | $\begin{gathered} \text { Cost per } \\ \text { unit } \end{gathered}$ |  | Cost of Goods Sold |  |  | \# of units |  | $\begin{gathered} \text { Cost per } \\ \text { unit } \end{gathered}$ |  | Inventory Balance |  |  |
| January 1 |  |  |  |  |  |  |  |  |  |  | 140 | @ | \$ | 6.00 | $=$ | \$ | 840.00 |
| January 10 |  |  |  | 100 $\sqrt{ }$ | @ | \$ | $6.00 \checkmark$ | $=$ |  | 600.00 | $40 \sqrt{ }$ | @ | \$ | 6.00 | $=$ | \$ | 240.00 |
| January 20 | $60 \sqrt{ }$ | @ | \$ 5.00 |  |  |  |  |  |  |  | $40 \checkmark$ | @ | \$ | 6.00 | $=$ | \$ | 240.00 |
|  |  |  |  |  |  |  |  |  |  |  | $60 \checkmark$ | @ | \$ | 5.00 | $=$ |  | 300.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 540.00 |
| January 25 |  |  |  | 40, | @ | \$ | 6.00 | $=$ |  | 240.00 | 0 | @ | \$ | 6.00 | = |  |  |
|  |  |  |  | 40, | @ | \$ | 5.00 | $=$ |  | 200.00 | 20, | @ | , | 5.00 | $=$ | \$ | 100.00 |
|  |  |  |  |  |  |  |  |  | \$ | 440.00 |  |  |  |  |  | \$ | 100.00 |
| January 30 | 180」 | @ | \$ 4.50, |  |  |  |  |  |  |  | 0 | @ | \$ | 6.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | 20, | @ | \$ | 5.00 | $=$ |  | 100.00 |
|  |  |  |  |  |  |  |  |  |  |  | 180 | @ | \$ | 4.50 | $=$ |  | 810.00 |
| Totals |  |  |  |  |  |  |  |  |  | 1,040.00 |  |  |  |  |  | \$ | 910.00 |

[^0]6. 10 out of
10.00
points
4. Determine the cost assigned to ending inventory and to cost of goods sold using LIFO.

## Perpetual LIFO:

| Date | Goods purchased |  |  | Cost of Goods Sold |  |  |  |  |  |  | Inventory Balance |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | \# of units |  | Cost per unit | \# of units sold |  | Cost per unit |  | Cost of Goods Sold |  |  | \# of units |  | Cost per unit |  | Inventory Balance |  |  |
| January 1 |  |  |  |  |  |  |  |  |  |  | 140 | @ | \$ | 6.00 | $=$ | \$ | 840.00 |
| January 10 |  |  |  | $100 \sqrt{ }$ | @ | \$ | 6.00 , | $=$ |  | 600.00 | $40 \sqrt{ }$ | @ | \$ | 6.00 | $=$ | \$ | 240.00 |
| January 20 | $60 \sqrt{ }$ | @ | \$ 5.00 , |  |  |  |  |  |  |  | $40 \sqrt{ }$ | @ | \$ | 6.00 | $=$ | \$ | 240.00 |
|  |  |  |  |  |  |  |  |  |  |  | $60 \sqrt{ }$ | @ | \$ | 5.00 | $=$ |  | 300.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 540.00 |
| January 25 |  |  |  | 20, | @ | \$ | 6.00 | $=$ |  | 120.00 | $20 \sqrt{ }$ | @ | \$ | 6.00 | $=$ | \$ | 120.00 |
|  |  |  |  | $60 \sqrt{ }$ | @ | \$ | 5.00 | $=$ |  | 300.00 | 0 | @ | \$ | 5.00 | $=$ |  |  |
|  |  |  |  |  |  |  |  |  | \$ | 420.00 |  |  |  |  |  | \$ | 120.00 |
| January 30 | 180 $\sqrt{ }$ | @ | \$ 4.50, |  |  |  |  |  |  |  | 20」 | @ | \$ | 6.00 | $=$ | \$ | 120.00 |
|  |  |  |  |  |  |  |  |  |  |  | 0 | @ | \$ | 5.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | 180 | @ | \$ | 4.50 | $=$ |  | 810.00 |
| Totals |  |  |  |  |  |  |  |  |  | 1,020.00 |  |  |  |  |  | \$ | 930.00 |

[^1]Laker Company reported the following January purchases and sales data for its only product.

| Date | Activities | Units Acquired at Cost |  |  |  | Units Sold at Retail |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Jan. 1 | Beginning inventory | 140 units | @ \$6.00 | = \$ | \$ 840 |  |
| Jan. 10 | Sales |  |  |  |  | 100 units @\$15 |
| Jan. 20 | Purchase | 60 units | @ \$5.00 | $=$ | 300 |  |
| Jan. 25 | Sales |  |  |  |  | 80 units @\$15 |
| Jan. 30 | Purchase | 180 units | @ \$4.50 | $=$ | 810 |  |
|  | Totals | 380 units |  |  | \$1,950 | 180 units |

Laker uses a perpetual inventory system. For specific identification, ending inventory consists of 200 units, where 180 are from the January 30 purchase, 5 are from the January 20 purchase, and 15 are from beginning inventory.

1. Complete comparative income statements for the month of January for Laker Company for the four inventory methods. Assume expenses are $\$ 1,250$, and that the applicable income tax rate is $40 \%$. (Round your intermediate calculations to 2 decimal places.)

| LAKER COMPANY |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Income Statements |  |  |  |  |  |  |  |  |
| For Month Ended January 31 |  |  |  |  |  |  |  |  |
|  | Specific |  | Weighted |  |  |  |  |  |
|  | Identification |  | Average |  | FIFO |  | LIFO |  |
| Sales | \$ 2,700 \ |  |  | 2,700 \ \$ |  | {2,700 |  |  |
| $} | 2,700 $\sqrt{ }$ |  |  |  |  |  |  |  |
| Cost of goods sold | 1,025 \} |  |  | 1,032 \} |  | 1,040 $\sqrt{ }$ |  | 1,020 $\sqrt{ }$ |
| Gross profit | 1,675 |  |  | 1,668 |  | 1,660 |  | 1,680 |
| Expenses | 1,250 \} |  |  | 1,250, |  | 1,250 |  | 1,250 $\sqrt{ }$ |
| Income before taxes | 425 |  |  | 418 |  | 410 |  | 430 |
| Income tax expense | $170 \sqrt{ }$ |  |  | 167 \} |  | 164 |  | 172 $\sqrt{ }$ |
| Net income | \$ | 255 | \$ | 251 | \$ | 246 | \$ | 258 |

2. Which method yields the highest net income?

- LIFO

Specific identification
FIFO
Weighted average
3. Does net income using weighted average fall between that using FIFO and LIFO?

- Yes

No
4. If costs were rising instead of falling, which method would yield the highest net income?

- LIFO
- FIFO

Weighted average
Specific identification
[The following information applies to the questions displayed below.]
Hemming Co. reported the following current-year purchases and sales data for its only product.

| Date | Activities | Units Acquired at cost |  | Units Sold at Retail |
| :---: | :---: | :---: | :---: | :---: |
| Jan. 1 | Beginning inventory | 200 units @ \$10 | $=\$ 2,000$ |  |
| Jan. 10 | Sales |  |  | 150 units @\$40 |
| Mar. 14 | Purchase | 350 units @ \$15 | $=5,250$ |  |
| Mar. 15 | Sales |  |  | 300 units @\$40 |
| July 30 | Purchase | 450 units @ \$20 | $=9,000$ |  |
| Oct. 5 | Sales |  |  | 430 units @\$40 |
| Oct. 26 | Purchase | 100 units @ \$25 | $=2,500$ |  |
|  | Totals | 1,100 units | \$18,750 | 880 units |

Hemming uses a perpetual inventory system.
10.00
points
Determine the costs assigned to ending inventory and to cost of goods sold using FIFO.

Perpetual FIFO:


[^2] points

Determine the costs assigned to ending inventory and to cost of goods sold using LIFO.

| Perpetual LIFO: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date | Goods purchased |  |  | Cost of Goods Sold |  |  |  |  |  |  | Inventory Balance |  |  |  |  |  |  |
|  | \# of units |  | Cost per unit | \# of units sold |  | Cost per unit |  | Cost of Goods Sold |  |  | \# of units |  | $\begin{gathered} \text { Cost per } \\ \text { unit } \\ \hline \end{gathered}$ |  | Inventory Balance |  |  |
| January 1 |  |  |  |  |  |  |  |  |  |  | 200 | @ | \$ | 10.00 | $=$ | \$ | 2,000.00 |
| January 10 |  |  |  | $150 \sqrt{ }$ | @ | \$ | $10.00 \sqrt{ }$ | $=$ | \$ | 1,500.00 | $50 \sqrt{ }$ | @ | \$ | 10.00 | $=$ | \$ | 500.00 |
| March 14 | $350 \sqrt{ }$ |  | \$ 15.00 , |  |  |  |  |  |  |  | $50 \checkmark$ | @ | \$ | 10.00 | $=$ | \$ | 500.00 |
|  |  |  |  |  |  |  |  |  |  |  | 350 | @ | \$ | 15.00 | $=$ |  | 5,250.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 5,750.00 |
| March 15 |  |  |  | 0 | @ | \$ | 10.00 | $=$ | \$ | 0.00 | $50 \sqrt{ }$ | @ | \$ | 10.00 | $=$ | \$ | 500.00 |
|  |  |  |  | $300 \sqrt{ }$ | @ | \$ | 15.00 | $=$ |  | 4,500.00 | $50 \checkmark$ | @ | \$ | 15.00 | $=$ | \$ | 750.00 |
|  |  |  |  |  |  |  |  |  | \$ | 4,500.00 |  |  |  |  |  | \$ | 1,250.00 |
| July 30 | 450, | @ | \$ 20.00, |  |  |  |  |  |  |  | $50 \checkmark$ | @ | \$ | 10.00 | $=$ | \$ | 500.00 |
|  |  |  |  |  |  |  |  |  |  |  | $50 \sqrt{ }$ | @ | \$ | 15.00 | $=$ |  | 750.00 |
|  |  |  |  |  |  |  |  |  |  |  | 450 $\sqrt{ }$ | @ | \$ | 20.00 | $=$ |  | 9,000.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 10,250.00 |
| October 5 |  |  |  | 0 | @ | \$ | 10.00 | $=$ | \$ | 0.00 | $50 \checkmark$ | @ | \$ | 10.00 | $=$ | \$ | 500.00 |
|  |  |  |  | 0 | @ | \$ | 15.00 | $=$ |  | 0.00 | $50 \checkmark$ | @ | \$ | 15.00 | $=$ |  | 750.00 |
|  |  |  |  | 430」 | @ | \$ | 20.00 | $=$ |  | 8,600.00 | $20 \sqrt{ }$ | @ | \$ | 20.00 | $=$ |  | 400.00 |
|  |  |  |  |  |  |  |  |  | \$ | 8,600.00 |  |  |  |  |  | \$ | 1,650.00 |
| October 26 | 100, | @ | \$ 25.00 , |  |  |  |  |  |  |  | $50 \checkmark$ | @ | \$ | 10.00 | $=$ | \$ | 500.00 |
|  |  |  |  |  |  |  |  |  |  |  | $50 \checkmark$ | @ | \$ | 15.00 | $=$ |  | 750.00 |
|  |  |  |  |  |  |  |  |  |  |  | 20, | @ | \$ | 20.00 | $=$ |  | 400.00 |
|  |  |  |  |  |  |  |  |  |  |  | 100 | @ | \$ | 25.00 |  |  | 2,500.00 |
| Totals |  |  |  |  |  |  |  |  |  | 14,600.00 |  |  |  |  |  | \$ | 4,150.00 |

points
Compute the gross margin for FIFO method.

| FIFO: |  |  |
| :--- | :--- | :--- |
| Sales revenue | $\$$ | $35,200 \checkmark$ |
| Less: Cost of goods sold |  | $13,850 \downarrow$ |
| Gross margin | $\$$ | 21,350 |

Compute the gross margin for LIFO method.

| LIFO: |  |  |
| :--- | :--- | :--- |
| Sales revenue | $\$$ | $35,200 \checkmark$ |
| Less : Cost of goods sold |  | $14,600 \checkmark$ |
| Gross margin | $\$$ | 20,600 |

10.00
points
Martinez Company's ending inventory includes the following items.

|  |  | Per Unit |  |
| :--- | :---: | :---: | :---: |
|  |  |  |  |
| Product | Units | Cost | Market |
| Helmets | 24 | $\$ 50$ | $\$ 54$ |
| Bats | 17 | 78 | 72 |
| Shoes | 38 | 95 | 91 |
| Uniforms | 42 | 36 | 36 |

Compute the lower of cost or market for ending inventory applied separately to each product.

| Product | Units | Per Unit |  |  |  | Total |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Cost |  | Market |  | Cost |  | Market |  | LCM applied to: Products |  |
| Helmets | 24 | \$ | 50 | \$ | 54 | \$ | 1,200 \ \$ |  | 1,296 \}  \$  |  | 1,200 |
| Bats | 17 | \$ | 78 | \$ | 72 | 1,326 $\sqrt{ }$ |  |  | 1,224 $\sqrt{ }$ |  | 1,224 |
| Shoes | 38 | \$ | 95 | \$ | 91 | 3,610 $\sqrt{ }$ |  |  | 3,458 |  | 3,458 |
| Uniforms | 42 | \$ | 36 | \$ | 36 | 1,512 \} |  |  | 1,512 $\sqrt{ }$ |  | 1,512 |
|  |  |  |  |  |  | \$ | 7,648 | \$ | 7,490 | \$ | 7,394 |

Warnerwoods Company uses a perpetual inventory system. It entered into the following purchases and sales transactions for March.

| Date Activities | Units Acquired at Cost | Units Sold at Retail |
| :---: | :---: | :---: |
| Mar. 1 Beginning inventory | 100 units @ \$50 per unit |  |
| Mar. 5 Purchase | 400 units @ \$55 per unit |  |
| Mar. 9 Sales |  | 420 units @ \$85 per unit |
| Mar. 18 Purchase | 120 units @ \$60 per unit |  |
| Mar. 25 Purchase | 200 units @ \$62 per unit |  |
| Mar. 29 Sales |  | 160 units @ \$95 per unit |
| Totals | 820 units | 580 units |

12. 

award:
10 out of
10.00
points

## Required.

1. Compute cost of goods available for sale and the number of units available for sale.

|  | Cost of Goods Available for Sale |  |  |
| :---: | :---: | :---: | :---: |
|  | \# of units | Cost per unit | Cost of Goods Available for Sale |
| Beginning Inventory | $100 \sqrt{ }$ | \$ 50.00 , \$ | 5,000 |
| Purchases: |  |  |  |
| March 5 | $400 \sqrt{ }$ | $55.00 \sqrt{ }$ | 22,000 |
| March 18 | 120 $\sqrt{ }$ | 60.00 , | 7,200 |
| March 25 | 200 」 | 62.00 , | 12,400 |
| Total | 820 | \$ | \$ 46,600 |

## Ending inventory $240 \sqrt{ }$ units

14. $\begin{gathered}\text { sapod of } \\ \text { po.00 } \\ \text { po }\end{gathered}$
points
15. Compute the cost assigned to ending inventory using (a) FIFO, (b) LIFO, (c) weighted average, and
(d) specific identification. For specific identification, the March 9 sale consisted of 80 units from beginning inventory and 340 units from the March 5 purchase: the March 29 sale consisted of 40 units from the March 18 purchase and 120 units from the March 25 purchase. (Round your average cost per unit to 2 decimal places.)

| Perpetual FIFO: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date | Goods purchased |  |  | Cost of Goods Sold |  |  |  |  |  |  | Inventory Balance |  |  |  |  |  |  |
|  | \# of units |  | Cost per unit | \# of units sold |  | Cost per |  | Cost of Goods Sold |  |  | \# of units |  | $\begin{gathered} \text { Cost per } \\ \text { unit } \end{gathered}$ |  | Inventory Balance |  |  |
| March 1 |  |  |  |  |  |  |  |  |  |  | 100 | @ | \$ | 50.00 | $=$ | \$ | 5,000.00 |
| March 5 | 400, | @ | \$ 55.00 ${ }^{\text {d }}$ |  |  |  |  |  |  |  | 100, | @ | \$ | 50.00 | $=$ | \$ | 5,000.00 |
|  |  |  |  |  |  |  |  |  |  |  | $400 \checkmark$ | @ | \$ | 55.00 | $=$ |  | 22,000.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 27,000.00 |
| March 9 |  |  |  | $100 \sqrt{ }$ | @ | \$ | 50.00 | $=$ | \$ | 5,000.00 | 0 | @ | \$ | 50.00 | $=$ |  |  |
|  |  |  |  | $320 \checkmark$ | @ | \$ | 55.00 | $=$ |  | 17,600.00 | $80 \checkmark$ | @ | \$ | 55.00 | $=$ | \$ | 4,400.00 |
|  |  |  |  |  |  |  |  |  | \$ | 22,600.00 |  |  |  |  |  | \$ | 4,400.00 |
| March 18 | $120 \sqrt{ }$ | @ | \$ 60.00 ${ }^{\text {d }}$ |  |  |  |  |  |  |  | 0 | @ | s | 50.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | $80 \checkmark$ | @ | \$ | 55.00 | $=$ |  | 4,400.00 |
|  |  |  |  |  |  |  |  |  |  |  | 120」 | @ | \$ | 60.00 | $=$ |  | 7,200.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 11,600.00 |
| March 25 | 200, | @ | \$ 62.00 $\sqrt{ }$ |  |  |  |  |  |  |  | 0 | @ | \$ | 50.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | $80 \checkmark$ | @ | \$ | 55.00 | $=$ |  | 4,400.00 |
|  |  |  |  |  |  |  |  |  |  |  | 120, | @ | s | 60.00 | $=$ |  | 7,200.00 |
|  |  |  |  |  |  |  |  |  |  |  | $200 \checkmark$ | @ | \$ | 62.00 |  |  | 12,400.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 24,000.00 |
| March 29 |  |  |  | 0 | @ | \$ | 50.00 | $=$ | \$ | 0.00 | 0 | @ | \$ | 50.00 |  |  |  |
|  |  |  |  | $80 \checkmark$ | @ | \$ | 55.00 | $=$ |  | 4,400.00 | 0 | @ | + | 55.00 |  |  |  |
|  |  |  |  | $80 \checkmark$ | @ | \$ | 60.00 | $=$ |  | 4,800.00 | 40, | @ | \$ | 60.00 | $=$ |  | 2,400.00 |
|  |  |  |  | 0 | @ | \$ | 62.00 | $=$ |  | 0.00 | 200, | @ | \$ | 62.00 | $=$ |  | 12,400.00 |
|  |  |  |  |  |  |  |  |  | \$ | 9,200.00 |  |  |  |  |  | \$ | 14,800.00 |
| Totals |  |  |  |  |  |  |  |  |  | 31,800.00 |  |  |  |  |  |  | 14,800.00 |

*Red text indiatem no response was expected in a cell or a tormula-tased colwataion is incurreat, no paints desucted.

| Perpetual LIFO: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date | Goods purchased |  |  | Cost of Goods Sold |  |  |  |  |  |  | Inventorv Balance |  |  |  |  |  |  |
|  | \# of units |  | $\begin{aligned} & \text { Cost per } \\ & \text { unit } \end{aligned}$ | \# of units sold |  | $\begin{aligned} & \text { Cost per } \\ & \text { unit } \end{aligned}$ |  | Cost of Goods Sold |  |  | \# of units |  | Cost per unit |  | Inventory Balance |  |  |
| March 1 |  |  |  |  |  |  |  |  |  |  | 100 | @ | \$ | 50.00 | $=$ | \$ | 5,000.00 |
| March 5 | $400 \sqrt{ }$ | @ | \$ 55.00 |  |  |  |  |  |  |  | $100 \sqrt{ }$ | @ | \$ | 50.00 | $=$ | \$ | 5,000.00 |
|  |  |  |  |  |  |  |  |  |  |  | $400 \sqrt{ }$ | @ | \$ | 55.00 | $=$ |  | 22,000.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 27,000.00 |
| March 9 |  |  |  | $20 \checkmark$ | @ | \$ | 50.00 | = | \$ | 1,000.00 | $80 \checkmark$ | @ | \$ | 50.00 | $=$ | \$ | 4,000.00 |
|  |  |  |  | $400 \sqrt{ }$ | @ | \$ | 55.00 | $=$ |  | 22,000.00 | 0 | @ | \$ | 55.00 | $=$ |  |  |
|  |  |  |  |  |  |  |  |  |  | 23,000.00 |  |  |  |  |  | \$ | 4,000.00 |
| March 18 | $120 \sqrt{ }$ | @ | \$ 60.00 , |  |  |  |  |  |  |  | $80 \checkmark$ | @ | \$ | 50.00 | $=$ | \$ | 4,000.00 |
|  |  |  |  |  |  |  |  |  |  |  | 0 | @ | \$ | 55.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | 120, | @ | \$ | 60.00 | $=$ |  | 7,200.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 11,200.00 |
| March 25 | $200 \checkmark$ | @ | \$ $62.00 \checkmark$ |  |  |  |  |  |  |  | $80 \checkmark$ | @ | \$ | 50.00 | $=$ | \$ | 4,000.00 |
|  |  |  |  |  |  |  |  |  |  |  | 0 | @ | \$ | 55.00 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | $120 \checkmark$ | @ | \$ | 60.00 | $=$ |  | 7.200.00 |
|  |  |  |  |  |  |  |  |  |  |  | 200, | @ | \$ | 62.00 |  |  | 12,400.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | , | 23,600.00 |
| March 29 |  |  |  | 0 | @ | \$ | 50.00 | = | \$ | 0.00 | 80, | @ | \$ | 50.00 | $=$ | \$ | 4,000.00 |
|  |  |  |  | 0 | @ | \$ | 55.00 | $=$ |  | 0.00 | 0 | @ | \$ | 55.00 |  |  |  |
|  |  |  |  | 0 | @ | \$ | 60.00 | $=$ |  | 0.00 | $120 \checkmark$ | @ | \$ | 60.00 | = |  | 7,200.00 |
|  |  |  |  | 160 $\sqrt{ }$ | @ | \$ | 62.00 | $=$ |  | 9,920.00 | 40, | @ | \$ | 62.00 | $=$ |  | 2,480.00 |
|  |  |  |  |  |  |  |  |  | \$ | 9,920.00 |  |  |  |  |  | \$ | 13,680.00 |
| Totals |  |  |  |  |  |  |  |  |  | 32,920.00 |  |  |  |  |  |  | 13,680.00 |

Weighted Average Perpetual:

| Date | Goods purchased |  |  | Cost of Goods Sold |  |  |  |  |  |  | Inventory Balance |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | \# of units |  | Cost per unit | \# of units sold |  | Cost per unit |  | Cost of Goods Sold |  |  | \# of units |  | Cost per unit |  | Inventory Balance |  |  |
| March 1 |  |  |  |  |  |  |  |  |  |  | 100 | @ | \$ | 50.00 | $=$ | \$ | 5,000.00 |
| March 5 | $400 \checkmark$ | @ | \$ 55.00 $\downarrow$ |  |  |  |  |  |  |  | 100, | @ | \$ | 50.00 | $=$ | \$ | 5,000.00 |
|  |  |  |  |  |  |  |  |  |  |  | $400 \checkmark$ | @ | \$ | 55.00 | $=$ |  | 22,000.00 |
| Average |  |  |  |  |  |  |  |  |  |  | 500 | @ | \$ | $54.00 \checkmark$ | $=$ | \$ | 27,000.00 |
| March 9 |  |  |  | $420 \checkmark$ | @ | \$ | 54.00 , | $=$ | \$ | 22,680.00 | $80 \checkmark$ | @ | \$ | $54.00 \checkmark$ | $=$ | \$ | 4.320.00 |
| March 18 | $120 \sqrt{ }$ | @ | \$ 60.00 ${ }^{\text {d }}$ |  |  |  |  |  |  |  | 80 | @ | \$ | 54.00 | $=$ | \$ | 4,320.00 |
|  |  |  |  |  |  |  |  |  |  |  | $120 \sqrt{ }$ | @ | \$ | 60.00 | $=$ |  | 7,200.00 |
| Average |  |  |  |  |  |  |  |  |  |  | 200 | @ | \$ | 57.60, | $=$ | \$ | 11,520.00 |
| March 25 | 200, | @ | \$ 62.00, |  |  |  |  |  |  |  | $80 \checkmark$ | @ | \$ | 54.00 | $=$ | \$ | 4,320.00 |
|  |  |  |  |  |  |  |  |  |  |  | 120, | @ | \$ | 60.00 |  |  | 7,200.00 |
|  |  |  |  |  |  |  |  |  |  |  | 200」 | @ | \$ | 62.00 | $=$ |  | 12,400.00 |
|  |  |  |  |  |  |  |  |  |  |  | 400 | @ | \$ | 59.80 V | $=$ | \$ | 23,920.00 |
| March 29 |  |  |  | $160 \checkmark$ | @ | \$ | $59.80 \checkmark$ | $=$ |  | 9,568.00 | $240 \sqrt{ }$ | @ | \$ | $59.80 \checkmark$ | $=$ | \$ | 14,352.00 |
| Totals |  |  |  |  |  |  |  |  |  | 32,248.00 |  |  |  |  |  |  |  |


| Specific Identification: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Date | Goods purchased |  |  | Cost of Goods Sold |  |  |  |  |  |  | Inventory Balance |  |  |  |  |  |  |
|  | \# of units |  | $\begin{aligned} & \text { Cost per } \\ & \text { unit } \end{aligned}$ | \# of units sold |  | $\begin{gathered} \text { Cost per } \\ \text { unit } \end{gathered}$ |  | Cost of Goods Sold |  |  | \# of units |  | $\begin{gathered} \text { Cost per } \\ \text { unit } \end{gathered}$ |  | Inventory Balance |  |  |
| March 1 |  |  |  |  |  |  |  |  |  |  | 100 | @ | \$ | 50.00 | = | \$ | 5,000.00 |
| March 5 | $400 \checkmark$ | @ | \$ 55.00, |  |  |  |  |  |  |  | $100 \sqrt{ }$ | @ | \$ | 50.00 | $=$ | \$ | 5,000.00 |
|  |  |  |  |  |  |  |  |  |  |  | $400 \checkmark$ | @ | \$ | 55.00 | $=$ |  | 22,000.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 27,000.00 |
| March 9 |  |  |  | $80 \checkmark$ | @ | \$ | 50.00 | $=$ | \$ | 4,000.00 | $20 \sqrt{ }$ | @ | \$ | 50.00 | $=$ | \$ | 1,000.00 |
|  |  |  |  | $340 \checkmark$ | @ | \$ | 55.00 | $=$ |  | 18,700.00 | $60 \checkmark$ | @ | \$ | 55.00 | $=$ | \$ | 3,300.00 |
|  |  |  |  |  |  |  |  |  | \$ | 22,700.00 |  |  |  |  |  | \$ | 4,300.00 |
| March 18 | 120, | @ | \$ 60.00 , |  |  |  |  |  |  |  | $20 \checkmark$ | @ | \$ | 50.00 | $=$ | \$ | 1,000.00 |
|  |  |  |  |  |  |  |  |  |  |  | $60 \checkmark$ | @ | \$ | 55.00 | = |  | 3,300.00 |
|  |  |  |  |  |  |  |  |  |  |  | 120, | @ | \$ | 60.00 | $=$ |  | 7,200.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 11,500.00 |
| March 25 | 200, | @ | \$ 62.00, |  |  |  |  |  |  |  | $20 \checkmark$ | @ | \$ | 50.00 | $=$ | \$ | 1,000.00 |
|  |  |  |  |  |  |  |  |  |  |  | 60, | @ | \$ | 55.00 | $=$ |  | 3,300,00 |
|  |  |  |  |  |  |  |  |  |  |  | $120 \sqrt{ }$ | @ | \$ | 60.00 | $=$ |  | 7,200.00 |
|  |  |  |  |  |  |  |  |  |  |  | 200, | @ | \$ | 62.00 |  |  | 12,400.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ | 23,900.00 |
| March 29 |  |  |  | 0 | @ | \$ | 50.00 | $=$ | \$ | 0.00 | $20 \sqrt{ }$ | @ | \$ | 50.00 | $=$ | \$ | 1,000.00 |
|  |  |  |  | 0 | @ | \$ | 55.00 | $=$ |  | 0.00 | $60 \checkmark$ | @ | \$ | 55.00 | $=$ |  | 3,300.00 |
|  |  |  |  | $40 \checkmark$ | @ | \$ | 60.00 | $=$ |  | 2,400.00 | $80 \checkmark$ | @ | \$ | 60.00 | = |  | 4,800.00 |
|  |  |  |  | 120, | @ | \$ | 62.00 | $=$ |  | 7,440.00 | $80 \checkmark$ | @ | \$ | 62.00 | $=$ |  | 4,960.00 |
|  |  |  |  |  |  |  |  |  | \$ | 9,840.00 |  |  |  |  |  |  | 14,060,00 |
| Totals |  |  |  |  |  |  |  |  |  | 32,540.00 |  |  |  |  |  |  | 14,060.00 | 10.00 points

4. Compute gross profit earned by the company for each of the four costing methods. For specific identification, the March 9 sale consisted of 80 units from beginning inventory and 340 units from the March 5 purchase; the March 29 sale consisted of 40 units from the March 18 purchase and 120 units from the March 25 purchase. (Round average cost per unit to 2 decimal places.)

| Gross Margin |  | FIFO | LIFO | Avg. Cost |  | Spec. ID |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Sales | $\checkmark$ \$ | 50,900 $\sqrt{\text { \$ }}$ | 50,900 \$ | \$ | 50,900 | \$ | 50,900 |
| Cost of Goods Sold | $\checkmark$ \$ | 31,800 \} | 32,920 \} |  | 32,248 , |  | 32,540 $\sqrt{ }$ |
| Gross Margin | $\checkmark$ \$ | 19,100 |  |  |  |  |  |
| $ | 17,980 \}  \$  |  | 18,652 ${ }^{\text {d }}$ | \$ | 18,360 |  |  |

A physical inventory of Liverpool Company taken at December 31 reveals the following.

| Item | Units | Per Unit |  |
| :---: | :---: | :---: | :---: |
|  |  | Cost | Market |
| Audio equipment |  |  |  |
| Receivers | 345 | \$ 90 | \$ 98 |
| CD players | 260 | 111 | 100 |
| MP3 players | 326 | 86 | 95 |
| Speakers | 204 | 52 | 41 |
| Video equipment |  |  |  |
| Handheld LCDs | 480 | 150 | 125 |
| VCRs | 291 | 93 | 84 |
| Camcorders | 212 | 310 | 322 |
| Car audio equipment |  |  |  |
| Satellite radios | 185 | 70 | 84 |
| CD/MP3 radios | 170 | 97 | 105 |

## Required:

1. Calculate the lower of cost or market for the inventory applied separately to each item.

|  |  | Per Unit |  | Total |  |  |  | LCM applied to: |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Item | Units | Cost | Market |  | Cost |  | Market | Entire Inventory | Individual Items |
| Audio equipment |  |  |  |  |  |  |  |  |  |
| Receivers | 345 | 90.00 | 98.00 |  | $31,050 \checkmark$ |  | $33,810 \checkmark$ |  | 31,050 $\sqrt{ }$ |
| CD players | 260 | 111.00 | 100.00 |  | 28,860 |  | 26,000 |  | 26,000 $\sqrt{ }$ |
| MP3 players | 326 | 86.00 | 95.00 |  | 28,036 |  | 30,970 |  | 28,036 $\checkmark$ |
| Speakers | 204 | 52.00 | 41.00 |  | 10,608 |  | 8,364 |  | 8,364 \} |
| Video equipment |  |  |  |  |  |  |  |  |  |
| Handheld LCDs | 480 | 150.00 | 125.00 |  | 72,000 |  | 60,000 |  | 60,000 $\sqrt{ }$ |
| VCRs | 291 | 93.00 | 84.00 |  | 27,063 |  | 24,444 |  | 24,444 |
| Camcorders | 212 | 310.00 | 322.00 |  | 65,720 |  | 68,264 |  | 65,720 \} |
| Car audio equipment |  |  |  |  |  |  |  |  |  |
| Satellite radios | 185 | 70.00 | 84.00 |  | 12,950 |  | 15,540 |  | 12,950 $\downarrow$ |
| CD/MP3 radios | 170 | 97.00 | 105.00 |  | 16,490 |  | 17,850 |  | 16,490 $\downarrow$ |
| Total |  |  |  | \$ | 292,777 | \$ | 285,242 | \$ 285,242 | \$ 273,054 |

2. If the market amount is less than the recorded cost of the inventory, then record the LCM adjustment to the Merchandise Inventory account.

| Date | General Journal | Debit | Credit |
| :---: | :---: | :---: | :---: |
| Dec.31 | Cost of goods sold | $\checkmark$ | $19,723 \checkmark$ |
|  | Merchandise inventory | $\checkmark$ |  |


[^0]:    - Red text indicates no response was expected in a cell or a formula-based calculation is incorrect; no points deducted.

[^1]:    *Red text indicates no response was expected in a cell or a formula-based calculation is incorrect: no points deducted

[^2]:    tRed text indicates no response was expected in a cell or a formula-based calculation is incorrect; no points deducted.

