

Exercise 8-14

Altira uses a perpetual inventory system

Aug. 1 Inventory on hand – 2,000 units; cost \$6.10 each = \$12,200

Aug. 8 Purchased 10,000 units for \$5.50 each = \$55,000

Aug. 14 Sold 8,000 units for \$12.00 each

Aug. 18 Purchased 6,000 units for \$5.00 each = \$30,000

Aug. 25 Sold 7,000 units for \$11.00 each

Aug. 31 Inventory on hand – 3,000 units

Under the perpetual system:

Beginning inventory                    2,000 units @ \$6.10 each = \$12,200

Add: Purchases

    Aug. 8                                10,000 units @ \$5.50 each = 55,000

    Aug. 18                              6,000 units @ \$5.00 each = 30,000

Available for sale                    18,000 units                    \$97,200

Less: Units sold (8,000+7,000) 15,000 units

Ending inventory (E.I.)             3,000 units

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Exercise 8-14 (continued)

Aug. 1 Inventory on hand – 2,000 units; cost \$6.10 each = \$12,200

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Aug. 25 Sold 7,000 units for \$11.00 each

Aug. 31 Inventory on hand – 3,000 units

Goods Available = (2,000+10,000+6,000) = 18,000; Cost =

\$12,200+\$55,000+\$30,000 = \$97,200

FIFO: COGS                            2,000 units @ \$6.10 = \$12,200

  6,000 units @ \$5.50 = 33,000

  4,000 units @ \$5.50 = 22,000

3,000 units @ \$5.00 = 15,000

    Total                                15,000 units                    **\$82,200**

    E.I.                                    3,000 units @ \$5.00 =        **\$15,000**

Available for Sale                    18,000 units                    \$97,200

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Exercise 8-14 (continued)

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Aug. 31 Inventory on hand – 3,000 units

LIFO: COGS                            8,000 units @ \$5.50 = \$44,000

  6,000 units @ \$5.00 = 30,000

1,000 units @ \$5.50 = 5,500

    Total                                15,000 units                    **\$79,500**

    E.I.                                    2,000 units @ \$6.10 = \$12,200

1,000 units @ \$5.50 = 5,500

    Total                                3,000 units                    **\$17,700**

Available for Sale                    18,000 units                    \$97,200

Note: It is unusual that the same LIFO results are obtained with the periodic and perpetual methods.

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Exercise 8-14 (continued)

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Aug. 14 Sold 8,000 units for \$12.00 each

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Aug. 25 Sold 7,000 units for \$11.00 each

Aug. 31 Inventory on hand – 3,000 units

COGS:

Aug. 14: Cost of Goods Available ( $\$12,200 + \$55,000$ ) = \$67,200

Units Available ( $2,000 + 10,000$ ) = 12,000

Average cost/unit =  $\$67,200 \div 12,000 = \$5.60$

COGS = 8,000 units x \$5.60 = \$44,800

Remaining units =  $4,000 \times \$5.60 = \$22,400$

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Exercise 8-14 (continued)

Aug. 25

Cost of Goods Available:  $\$22,400 + \$30,000 = \$52,400$

Units Available:  $4,000 + 6,000 = 10,000$

Average Cost:  $\$52,400 \div 10,000 = \$5.24$

Cost of Goods Sold:  $7,000 \times \$5.24 =$  \$36,680

Add 8,000 units sold on Aug. 14 = 44,800 **\$81,480**

Ending inventory:  $3,000 \times \$5.24 =$  15,720 **15,720**

Total Cost of Goods Available **\$97,200**

Total Units: 15,000 (sold) + 3,000 (remaining) = 18,000

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