Chapter 6 (3)

Inventory and

Cost of Goods Sold

เรียนผู้ใช้สื่อ PDF ทุกท่าน

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Amnajrat - Accounting

Inventory and Cost of goods sold

- Using actual physical flow costing-Specific Identification

- Using assumed cost flow method

   1. First-in, first-out (FIFO)

      The earliest goods purchased are the first to be sold.

   2. Last-in, first-out (LIFO)

      The latest goods purchased are the first to be sold.

   3. Average cost

Inventory Costing Example

Nirvana company had the data for product - A in the month of January:

	Units	Unit cost (฿)	Total cost (฿)
Balance (Jan. 1)	4	1,000	4,000
Purchases (Jan. 10)	2	1,120	2,240
Purchases (Jan. 25)	2	1,190	2,380
Total	8		8,620

5 units were sold in January at $1,500 per unit.

On January 31, 3 units were on hand.

Cost of ending inventory and cost of goods sold using the periodic *FIFO*

4 units @ 1,000	2 units @ 1,120	2 units @ 1,190

first ⟶ last

Cost of ending inventory and cost of goods sold using the periodic *FIFO*

Sold 5 units   Ending inventory 3 units

| 4 units @ 1,000 | 2 units @ 1,120 | 2 units @ 1,190 |

first ⟶ last

Cost of ending inventory and cost of goods sold using the periodic *FIFO*

Sold 5 units   **Ending inventory 3 units**

4 units @ 1,000	2 units @ 1,120	2 units @ 1,190

first ────────────────▶ last

Ending Inventory = 2 units@฿1,190 + 1 unit@฿1,120 = ฿3,500

Cost of ending inventory and cost of goods sold using the periodic *FIFO*

Sold 5 units   Ending inventory 3 units

| 4 units @ 1,000 | 2 units @ 1,120 | 2 units @ 1,190 |

first ⟶ last

Ending Inventory = 2 units@฿1,190 + 1 unit@฿1,120 = ฿3,500

Cost of Goods Sold (CGS) = ฿8,620 - ฿3,500 = ฿5,120

Cost of ending inventory and cost of goods sold using the periodic *LIFO*

| 4 units @ 1,000 | 2 units @ 1,120 | 2 units @ 1,190 |

first ⟶ last
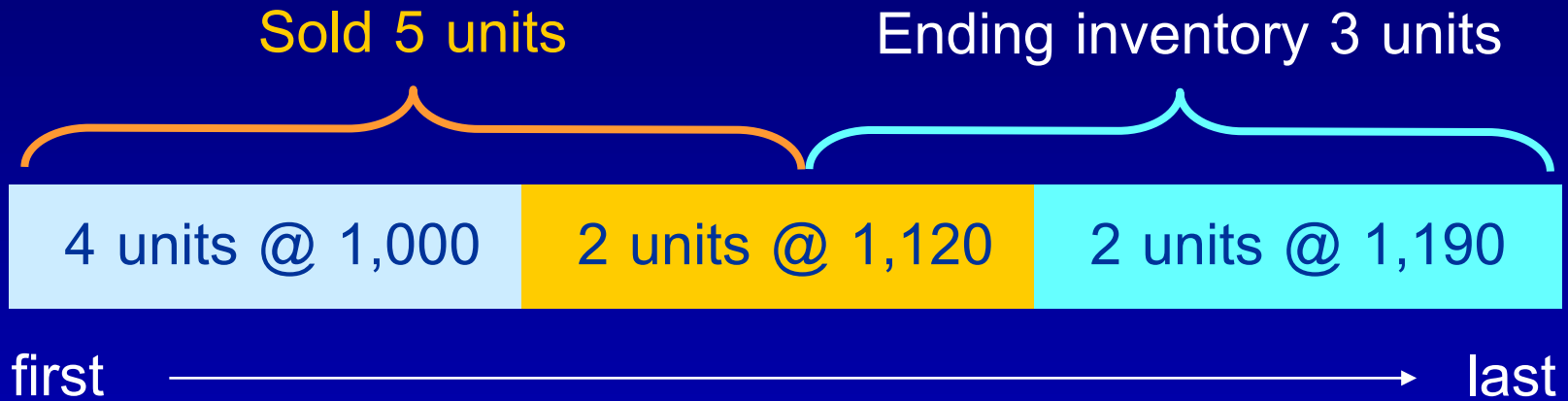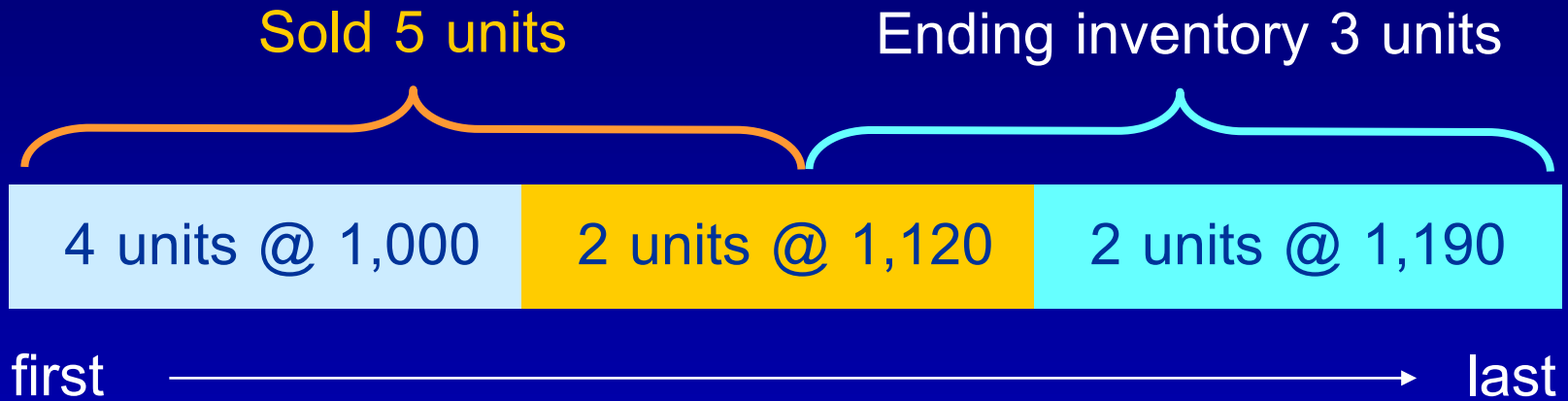
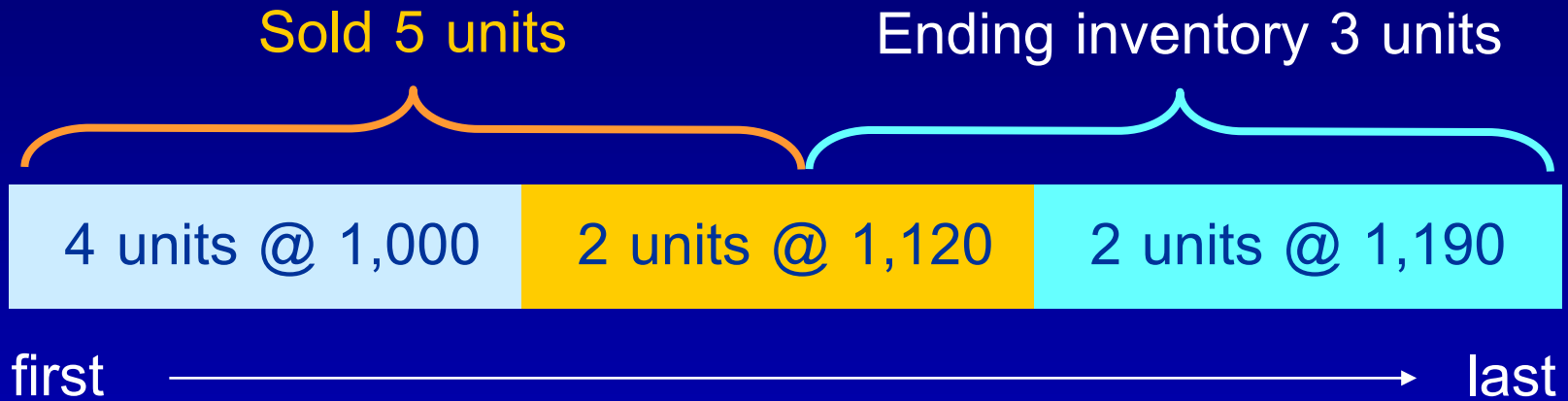# Cost of ending inventory and cost of goods sold using the periodic *LIFO*

Ending inv. 3 units   Sold 5 units

| 4 units @ 1,000 | 2 units @ 1,120 | 2 units @ 1,190 |

first ————————————————————→ last

Cost of ending inventory and cost of goods sold using the periodic *LIFO*

Ending inv. 3 units

Sold 5 units

4 units @ 1,000	2 units @ 1,120	2 units @ 1,190

first ⟶ last

Ending Inventory = 3 units @ ฿1,000 = ฿3,000

Cost of ending inventory and cost of goods sold using the periodic *LIFO*

Ending inv. 3 units   Sold 5 units

4 units @ 1,000	2 units @ 1,120	2 units @ 1,190

first →————————————————————→ last
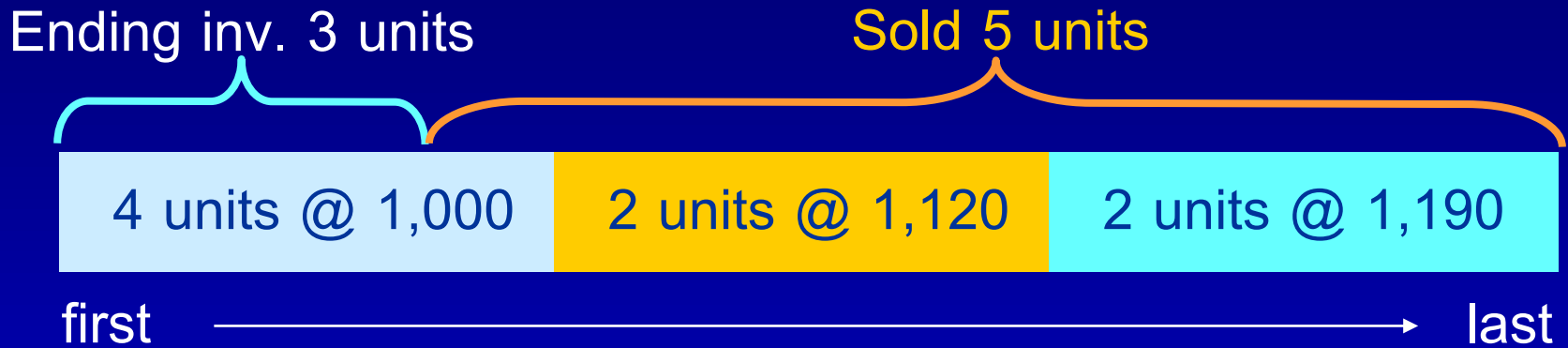
Ending Inventory = 3 units @ ฿1,000 = ฿3,000

Cost of Goods Sold = ฿8,620 - ฿3,000 = ฿5,620

Cost of ending inventory and cost of goods sold using the periodic *Weighted Average(W/A)*

4 units @ 1,000	2 units @ 1,120	2 units @ 1,190

Cost of ending inventory and cost of goods sold using the periodic *Weighted Average(W/A)*

4 units @ 1,000	2 units @ 1,120	2 units @ 1,190

Cost of goods available for sale =

(4 x 1,000) + (2 x 1,120) + (2 x 1,190) = ฿8,620

Cost of ending inventory and cost of goods sold using the periodic _Weighted Average(W/A)_

4 units @ 1,000	2 units @ 1,120	2 units @ 1,190

Cost of goods available for sale =

$\qquad$ (4 x 1,000) + (2 x 1,120) + (2 x 1,190) = ฿8,620

Average cost per unit = ฿8,620 / 8units = ฿1,077.50

Cost of ending inventory and cost of goods sold using the periodic *Weighted Average(W/A)*

4 units @ 1,000	2 units @ 1,120	2 units @ 1,190

Cost of goods available for sale =

$$(4 \times 1{,}000) + (2 \times 1{,}120) + (2 \times 1{,}190) = ฿8{,}620$$

Average cost per unit = ฿8,620 / 8units = ฿1,077.50

Ending Inventory = 3 units @ ฿1,077.50 = ฿3,232.50

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Cost of ending inventory and cost of goods sold using the periodic *Weighted Average(W/A)*

4 units @ 1,000	2 units @ 1,120	2 units @ 1,190

Cost of goods available for sale =

(4 x 1,000) + (2 x 1,120) + (2 x 1,190) = ฿8,620

Average cost per unit = ฿8,620 / 8units = ฿1,077.50

Ending Inventory = 3 units @ ฿1,077.50 = ฿3,232.50

Cost of Goods Sold = ฿ 8,620 – ฿3,232.50 = ฿5,387.50

Cost of ending inventory and cost of goods sold using the perpetual _FIFO_

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000

Cost of ending inventory and cost of goods sold using the perpetual *FIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		

Cost of ending inventory and cost of goods sold using the perpetual *FIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120

Cost of ending inventory and cost of goods sold using the perpetual *FIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		2 @ 1,120
21	Sold 5 units			

Cost of ending inventory and cost of goods sold using the perpetual *FIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		4 @ 1,000 1 @ 1,120	

Cost of ending inventory and cost of goods sold using the perpetual *FIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		4 @ 1,000 1 @ 1,120	1 @ 1,120

Cost of ending inventory and cost of goods sold using the perpetual *FIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		4 @ 1,000 1 @ 1,120	1 @ 1,120
31	Purchases 2 units	2 @ 1,190		

Cost of ending inventory and cost of goods sold using the perpetual *FIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		4 @ 1,000 1 @ 1,120	1 @ 1,120
31	Purchases 2 units	2 @ 1,190		1 @ 1,120 2 @ 1,190

Cost of ending inventory and cost of goods sold using the perpetual *FIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		4 @ 1,000 1 @ 1,120	1 @ 1,120
31	Purchases 2 units	2 @ 1,190		1 @ 1,120 2 @ 1,190

Ending inventory 3 units = (1 @ 1,120) + (2 @ 1,190) = ฿3,500

Cost of ending inventory and cost of goods sold using the perpetual *FIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		4 @ 1,000 1 @ 1,120	1 @ 1,120
31	Purchases 2 units	2 @ 1,190		1 @ 1,120 2 @ 1,190

Ending inventory 3 units = (1 @ 1,120) + (2 @ 1,190) = ฿3,500

Cost of goods sold = (4 @ 1,000) + (1 @ 1,120) = ฿5,120

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units			

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		2 @ 1,120 3 @ 1,000	

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		2 @ 1,120 3 @ 1,000	1 @ 1,000

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		2 @ 1,120 3 @ 1,000	1 @ 1,000
31	Purchases 2 units	2 @ 1,190		

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		2 @ 1,120 3 @ 1,000	1 @ 1,000
31	Purchases 2 units	2 @ 1,190		1 @ 1,000 2 @ 1,190

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		2 @ 1,120 3 @ 1,000	1 @ 1,000
31	Purchases 2 units	2 @ 1,190		1 @ 1,000 2 @ 1,190

Ending inventory 3 units = (1 @ 1,000) + (2 @ 1,190) = ฿3,380

Cost of ending inventory and cost of goods sold using the perpetual *LIFO*

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		4 @ 1,000 2 @ 1,120
21	Sold 5 units		2 @ 1,120 3 @ 1,000	1 @ 1,000
31	Purchases 2 units	2 @ 1,190		1 @ 1,000 2 @ 1,190

Ending inventory 3 units = (1 @ 1,000) + (2 @ 1,190) = ฿3,380

Cost of goods sold = (2 @ 1,120) + (3 @ 1,000) = ฿5,240

Cost of ending inventory and cost of goods sold using the perpetual Moving Average

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000

Cost of ending inventory and cost of goods sold using the perpetual Moving Average

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		

Cost of ending inventory and cost of goods sold using the perpetual Moving Average

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		6 @ 1,040

$$[(4 @ 1,000) + (2 @ 1,120)] / (4 + 2) = 1,040$$

Cost of ending inventory and cost of goods sold using the perpetual Moving Average

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		6 @ 1,040
21	Sold 5 units		5 @ 1,040	1 @ 1,040

Cost of ending inventory and cost of goods sold using the perpetual Moving Average

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		6 @ 1,040
21	Sold 5 units		5 @ 1,040	1 @ 1,040
31	Purchases 2 units	2 @ 1,190		

Cost of ending inventory and cost of goods sold using the perpetual Moving Average

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		6 @ 1,040
21	Sold 5 units		5 @ 1,040	1 @ 1,040
31	Purchases 2 units	2 @ 1,190		3 @ 1,140

[(1 @ 1,040) + (2 @ 1,190)] / (1 + 2) = 1,140

Cost of ending inventory and cost of goods sold using the perpetual Moving Average

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		6 @ 1,040
21	Sold 5 units		5 @ 1,040	1 @ 1,040
31	Purchases 2 units	2 @ 1,190		3 @ 1,140

Ending inventory 3 units = 3 @ 1,140 = ฿3,420

Cost of ending inventory and cost of goods sold using the perpetual Moving Average

Date	Transactions	DR	CR	Balance
Jan. 1				4 @ 1,000
10	Purchases 2 units	2 @ 1,120		6 @ 1,040
21	Sold 5 units		5 @ 1,040	1 @ 1,040
31	Purchases 2 units	2 @ 1,190		3 @ 1,140

Ending inventory 3 units = 3 @ 1,140 = ฿3,420

Cost of goods sold = 5 @ 1,040 = ฿5,200

Comparison of Methods

Periodic inventory system

	FIFO	LIFO	WA
Sales	7,500	7,500	7,500.00
Less Cost of goods sold	5,120	5,620	5,387.50
Gross margin	2,380	1,880	2,112.50
Ending inventory	3,500	3,000	3,232.50

WA (Weighted Average)

Comparison of Methods

Perpetual inventory system

	FIFO	LIFO	MA
Sales	7,500	7,500	7,500
Less Cost of goods sold	5,120	5,240	5,200
Gross margin	2,380	2,260	2,300
Ending inventory	3,500	3,380	3,420

MA (Moving Average)

End of Chapter 6 (3)

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refer to page numbers of this book (Fundamental Accounting)