The Flow of Inventory Costs-Specific Identification

Qno1: ***"Bandhan Jewellery"*** sells different types of jewellery and its beginning inventory and the purchases during May 2009 are the followings:

Date	Beg Units or Units Purchased	Unit Cost	Total Cost
May 1	10	Rs.15	Rs.150
May 5	20	30	600
May 15	40	31	1240
May 20	25	35	875
May 25	10	37	370
May 28	12	37	444
May 30	10	40	400

Sales:

Date	Units Sold	Rate per unit
May 13	10 units from the purchases of May 5	Rs.40
14	5 units from the beginning inventory	20
18	10 units from the purchases of May 5 and 15 units from the purchases of May 15	40 and 50 respectively
26	10 units from the purchases of May 20 and 5 units from beginning inventory	45 and 20 respectively
31	5 units from the purchases of May 30 and 3 units from the purchases of May 28	60 and 45 respectively

Required:

i. Assume that the enterprise uses Perpetual Inventory System, compute the cost of goods sold relating to the sale of May 2009 and the ending inventory on May 31, 2007.
ii. Prepare dated general entries OR prepare entries for total purchases, sales and cost of goods sold.
iii. Compute total sales
iv. Compute gross profit.

Qno2: ***"Karachi Furniture Mart"*** deals in top class furniture. It uses perpetual inventory system and specific identification method for recording the flow of its inventory cost. Data for the month of Jan, 2010 are given below:

Date	Description	Unit Cost	Sales per unit	Total Cost
Jan 1	Beginning Inventory-30 units	Rs.15,000	-	Rs.450,000
3	Purchased 5 units	156,00	-	78,000
5	Sold 5 units from beginning inventory	-	17,000	-
8	Sold 2 units from purchases of Jan 3	-	17,500	
10	Purchased 7 units	10,000	-	70,000
12	Sold 2 units from purchases of Jan 10 and 5 units from beginning inventory	-	12,000 & 17,000 respectively	-
15	Purchased 9 units	20,000	-	180,000
18	Sold 5 units from the purchases of Jan 15 and 5 units from the purchases of Jan 10	-	22,000 & 12,000 Respectively	-
20	Purchased 4 units	7,000	-	28,000
22	Purchased 10 units	10,000	-	100,000
25	Sold 10 units from beginning inventory	-	17,000	-
28	Sold 1 unit from the purchases of Jan 20 and 5 units from the purchases of Jan 22	-	9,000 &12,000 Respectively	-
30	Sold 5 units from beginning inventory and 2 units from purchases of Jan 3	-	17,000 &17,500 Respectively	-
31	Purchased 12 units	12,000	-	144,000

Required:

i. Compute the cost of goods sold relating to the sale of May 2009 and the ending inventory on May 31, 2007.
ii. Prepare dated general entries OR prepare entries for total purchases, sales and cost of goods sold.
iii. Compute total sales
iv. Compute gross profit.

The Flow of Inventory Costs-Cost Flow Assumption

Qno1:"***Javed & Iqbal Electronic Store***" sells television sets and its beginning inventory on Jan 1, 2008 is 100 units @ Rs.10, 000 each. The purchases and sales during 2008 are the followings:

Date	Units Purchased	Unit Cost	Total Cost	Units Sold	Price Per unit
Jan 15,2008	10	11,000	110,000	---	---
Jan 20,2008	---	---	---	5	15,000
Feb 18,2008	---	---	---	20	15,000
Mar 11,2008	20	11,500	230,000	---	---
Apr 20,2008	5	11,500	57,500	---	---
May 25,2008	---	---	---	50	15,000
Jun 22,2008	100	12,000	1,200,000	---	---
July 9,2008	25	12,000	300,000	---	---
Aug 14 , 2008	---	---	---	60	15,000
Sep 6 , 2008	50	12,500	625,000	---	---
Oct 20 , 2008	---	---	---	75	15,000
Nov 12 , 2008	80	12,800	1,024,000	---	---
Dec 25 , 2008	---	---	---	25	15,000

Required:

Assume that the enterprise uses ***Perpetual Inventory System***, compute the cost of goods sold relating to the sale of May 2008 and the ending inventory on May 31, 2007 using each of the following cost flow assumption:

a. First-in ,first-out(FIFO)
b. Last-in , first-out(LIFO)
c. Average Cost(Moving Average)

Qno2:Mutlan Trading Company presents the following data for the month of December 2001 .The company maintains the *Perpetual Inventory System.*

December 1	Balance	1000 units	@Rs.11 per unit
December 3	Purchases	1200 units	@Rs.12 per unit
December 4	Purchases	500 units	@Rs.12 per unit
December 6	Sales	1800 units	@Rs.16 per unit
December 9	Purchases	600 units	@Rs.13 per unit
December 12	Sales	800 units	@Rs.17 per unit
December 13	Purchases	1300 units	@Rs.13 per unit
December 15	Purchases	500 units	@Rs.12 per unit
December 19	Sales	1600 units	@Rs.17 per unit

December 21	Sales	500 units	@Rs.17 per unit
December 25	Purchases	1000 units	@Rs.13 per unit
December 26	Purchases	600 units	@Rs.14 per unit
December 27	Sales	500 units	@Rs.17 per unit
December 28	Sales	1100 units	@Rs.18 per unit
December 30	Purchases	600 units	@Rs.14 per unit

Required:

i. **Compute the cost of the December 31 inventory under each of the following cost flow assumptions:**
   a. **FIFO**
   b. **LIFO**
ii. **Give necessary Journal entries under each assumption.**
iii. **Give adjusting entries under each assumption.**
iv. **Prepare Partial Income Statement under each assumption.**

The Flow of Inventory Costs-Periodic Inventory System-Cost Flow Assumption

Qno1:Young Memon Company made the following purchases of a chemical during the year 2001.It uses the periodic inventory system.

January 1	Inventory	250 units	@ Rs.2.98 per unit
January 7	Purchases	500 units	@ Rs.3.00 per unit
March 21	Purchases	550 units	@ Rs.3.10 per unit
June 14	Purchases	750 units	@ Rs.3.00 per unit
September 17	Purchases	1000 units	@ Rs.3.15 per unit
October 24	Purchases	400 units	@ Rs.3.20 per unit
December 28	Purchases	450 units	@ Rs.3.20 per unit

During the period , company sold 2950 units.

Required:
Compute Ending Inventory and Cost of Goods Sold under:
a) FIFO b) LIFO c) Average Method

Qno2: Following data have been extracted from the books of Ali Company during the year 2001 .It uses the periodic inventory system.

January 5	Purchases	500 units	@ Rs.3.00 per unit
March 10	Purchases	600 units	@ Rs.3.50 per unit
July 15	Purchases	700 units	@ Rs.3.75 per unit
September 4	Purchases	1000 units	@ Rs.4.00 per unit

October 5	Purchases	500 units	@ Rs.4.25 per unit
December 20	Purchases	400 units	@ Rs.4.50 per unit

The inventory at January 1, 2001 was 300 units @ Rs.2.75 per unit. The inventory at December 31, 2001 was 1150 units. All units were sold at Rs.5.50 per unit.

Required:
Calculate the Ending Inventory, Cost of Goods Sold and Gross Profit under:
a) FIFO b) LIFO c) Weighted Average

Qno3: Following data have been taken from the books of Morton Electro:

Inventory , January 1,	8000 units	@ Rs.5.89 per unit	Rs.47120
Purchases , March 15 ,	10300 units	@ Rs.6.20 per unit	Rs.63860
Purchases , June 6 ,	12400 units	@ Rs.6.60 per unit	Rs.81840
Purchases , September 20,	9600 units	@ Rs.6.80 per unit	Rs.65280
Purchases , Deccember 30,	7700 units	@ Rs.7.00 per unit	Rs.53900

During the year , 37200 units are sold.

Required:
Compute Ending Inventory and Cost of Goods Sold under:
b) FIFO b) LIFO c) Average Method

Miscellaneous Practice-Perpetual and Periodic Inventory Systems

Qno1:'Good Products' made the following purchases and sales of a chemical during the month of Jan , 2015:
Balance on hand Jan 1 , 2015 – 50 units @ Rs.2
Purchased:
Jan 4 200 units @ Rs.2.10
9 300 units @ Rs.2.20
16 200 units @ Rs.2.30
19 100 units @ Rs.2.30
20 200 units @ Rs.2.35
Sales:
Jan 5 250 units
12 110 units
20 190 units
29 200 units

Required:
The value that should be placed upon the inventory of chemical for Balance Sheet presentation as of Jan 31.
Using :

a. The First-in , First-out-FIFO
b. The Last-in , First-out-LIFO

Qno2:'Batooq A-1 Quality Co' furnished the following information for the month of March , 2014:

Purchases				Sales		
Date		Units	Cost per unit	Date		Units
March	6	550	Rs.1.30	March	8	350
	12	450	1.35		13	300
	22	750	1.50		24	300
	29	450	1.25		27	250
					31	350

Required:

a. Compute the value of ending inventory under each of the following assumptions:
   i. FIFO method-Both physical and perpetual inventories
   ii. LIFO method-Both physical and perpetual inventories
b. Compare the values and made notes of your observations.

Qno3: During the year , 2014 , the following transactions appear in the ledger card of Jawaid & Co:

Jan	1	Balance	105,000 units @ Rs.6.2
Feb	15	Purchases	65,000 units @ Rs.6.0
March	20	Purchases	45,000 units @ Rs.6.5
May	18	Purchases	20,000 units @ Rs.7.0
July	26	Purchases	50,000 units @ Rs.7.2
August	15	Purchases	10,000 units @ Rs.6.8
September	10	Purchases	20,000 units @ Rs.7.3
October	16	Purchases	75,000 units @ Rs.7.5
December	31	Purchases	98,000 units @ Rs.7.8

Sales during the year amounted to 305,000 units @ Rs.20 units.

Required:

a. Compute the amount of inventory at December 31 , 2014 under:
   i. Weighted Average Cost Method
   ii. First-in , First-out

iii. Last-in , First-out

b. Prepare Comparative Income Statement showing the effects on three alternative inventory valuation methods. Selling and Admin Expenses totaled Rs.500,000 and the rate of tax is 45% of net income.

Qno4:During the current financial year , the following transactions appear on the BIN-CARD of inventory of a particular product of 'Dunya-O-Jahan Mart':

Jan	1	Balance	75,000 units @ Rs.6.0 per unit
Feb	15	Purchases	80,000 units @ Rs.6.2 per unit
March	17	Purchases	70,000 units @ Rs.6.5 per unit
April	20	Purchases	40,000 units @ Rs.7.0 per unit
May	8	Purchases	50,000 units @ Rs.7.2 per unit
June	10	Purchases	40,000 units @ Rs.7.5 per unit
August	15	Purchases	36,000 units @ Rs.8.0 per unit
September	10	Purchases	44,000 units @ Rs.8.5 per unit
November	15	Purchases	75,000 units @ Rs.9.0 per unit
December	25	Purchases	30,000 units @ Rs.9.5 per unit

Sales during the year amounted to Rs.1,200,000 at Rs.20 per unit.

Required:

a. Compute the cost of Ending Inventory at Dec 31 of the current year on the basis of:
   i. Highest valuation of Inventory.
   ii. Lowest valuation of Inventory.
   iii. Weighted average method.

b. Prepare the Income Statement (Comparative) showing the highest and lowest profit during the period, assuming that selling and administrative expenses amounted to Rs.575,000.

Qno5: The following data relates to operations of M/s Allahyar & Co during the year ending December 31 of the current year:

i. Sales during the year ending Dec 31 amounted to Rs.840,000 at a unit price of Rs.12/

ii. The inventory of Jan 1 of the current year totaled to 8,000 units valued at Rs.48,000

iii. Purchases during the year were as follows:

20,000 units at Rs.6.20 per unit
34,000 units at Rs.6.50 per unit
23,000 units at Rs.6.69 per unit
9,600 units at Rs.7.00 per unit

Required:

a. Compute the cost of ending inventory on Dec , 31 of the current year under each of the following methods:
   i. FIFO
   ii. LIFO
   iii. Average Method

b. Compute the Gross Profit.

Qno6: The following data relates to operations of M/s Allahyar & Co during the year ending December 31 of the current year:

The following data relate to the mineral water inventory of Milo Company , which uses a period inventory system:

January 1	Beginning Inventory	80,000 liters at Rs.0.40	Rs.32,000
January 13	Purchases	200,000 liters at Rs.0.42	Rs.84,000
January 15	Purchases	300,000 liters at Rs.0.41	Rs.123,000
January 30	Purchases	100,000 liters at Rs.?	Rs.?
January 31	Ending Inventory	120,000 liters at Rs.?	Rs.?
January 31	Cost of Goods Sold		Rs.233,000

Required:

Assuming the use of LIFO Method

i. Determine the cost of ending inventory.
ii. Determine the unit cost and total cost of the January 30's purchases.

Comparison of FIFO , LIFO and Average Method and Effects of Over-statement and Under-statement

Qno1: If the price of the merchandise are consistently increasing , which of the two method of flow of costs , FIFO or LIFO will yield:

i. The highest inventory cost
ii. The lowest inventory cost
iii. The highest net income and
iv. The lowest net income

Qno2: Summarize the effects of understatement and overstatement of Ending inventory upon:

i. Cost of goods sold
ii. Net income and
iii. Owner's equity

Qno3:FIFO method has been used for the valuation of Ending Inventory by M/s Ilahi Bux & Sons.Using the data given as under , you are required to re-determine the net income for four years on the basis of LIFO method:

Year	2010	2011	2012	2013
Reported Net Income	27,500	40,000	42,500	55,000
Reported Inventory(FIFO)	92,000	125,000	142,000	150,000
Inventory(LIFO)	80,000	135,000	105,000	100,000

Qno4:Annual Earnings for Naseer & Co for the period 2010 to 2014 appear below. A review of the records for the Co reveals inventory mis-stated as listed below. You are required to calculate the corrected Net Profit during the period:

Year	2010	2011	2012	2013	2014
Reported Net Income or Loss	19,500	20,000	2,000	(4,500)	15,000
Inventory; Overstated	1,500	-	2,800	-	1,600
Inventory; Understated	-	-	-	4,500	-

Qno5:The selected information from the Income Statement of Sattar & Co for a period of three years is listed below:

Year	1	2	3
Net Sales	300,000	187,500	150,000
Cost of Goods Sold	201,000	127,500	105,000
Gross Profit	99,000	60,000	45,000

During the investigation of the company's records , the following errors emerged:

i. The ending inventory of year 1 was understated by Rs.7,500.
ii. The ending inventory of year 2 was overstated by Rs.12,000 and understated in year 3 by Rs.10,000

Required:
Prepare the revised schedule of income statement and determine the correct amount of cost of goods sold and gross profit for the above periods.