

Inventory case study essay sample



**ASSIGN
BUSTER**

For inventory, I've attached an inventory memo that I received from Bradley. I thought he sent you a copy already, but I don't doubt that he didn't.

I don't think he knows what an inventory observation memo is – you'll have to write the memo based upon Bradley's observation notes and what you observed when you were there on December 31. In addition to writing an inventory observation memo, you will need to tie in Bradley's test counts on the client's count sheets to Apollo's Inventory Warehouse Report. Finally, tie the Inventory Warehouse Report to Apollo's Inventory Status Report supplied by Karina last week.

Next, judgmentally sample a number of unit costs from recent invoices and tie them to the Inventory Status Report. If the numbers agree, tie the Inventory Status Report into the Inventory Lead Schedule. Lastly, tie the lead schedule into the Trial Balance.

Be careful to determine the proper accounts for adjustment when inventory is included or excluded from the physical count. By "included," I mean that the inventory cost should already be in the general ledger balance shown in the trial balance. When the inventory is adjusted to match the physical count, the adjustment is to cost of goods sold.

The Reserve for Inventory Obsolescence decreased significantly from last year. My conversation with Samuel Carboy indicated that they received a huge number of odd-sized shoes from their principal supplier last year against which the previous auditors made them set up a reserve. He indicated that, with the exception of the odd-sized shoes, Apollo generally turns over its entire inventory several times a year. As the quantity of odd

sizes gradually decreases, the reserve has been decreased by reducing the reserve and Cost of Goods Sold.