Inventory management

Finance

Inventory Management al Affiliation) Problem One a) FIFO Method March 3000 units @ $8. 00 = $24000 March 8 5000 units @ $8. 40 = $42000

Sales: March 14 4000 units @ $14. 00 = $ 56000

C. O. G: March 14 3000 units @ $8. 00 = $24000

1000 units @ $8. 40 =$8400

Total: $32400

Inventory balance: 4000 units @8. 40 = $33600

March 18: 6000 units @ 8. 20 = $49200

Sales: March 25 7000 units @ $14. 00 = $98000

C. O. G: March 25 4000 units @ $8. 40 = $33600

3000 units @ $8. 20 = $24600

Total: $58200

Inventory Balance: 3000 units @ 8. 20 = $24600

Therefore;

Inventory balance as at March 2016 is $24600

Cost of Goods for the period ended March 2016 is $(32400 + 58200) = $90600

LIFO Method:

March 1 3000 units @ 8. 00 = $24000

March 8 5000 units @ 8. 40 = $42000

Sales: March 14 4000 units @ 14. 00 = $56000

C. O. G: 4000 units @ 8. 40 = $33600

March 18 6000 units @ 8. 20 = $49200

Sales: March 25 7000 units @ 14. 00 = $98000

C. O. G: 6000 units @ 8. 20 = $49200

1000 units @ 8. 40 = $8400

Total: = $57600

Inventory balance: 3000 units @ 8. 00 = $24000

Inventory balance as at March 2016 is $24000

Cost of Goods for the period ended March 2016 is $(57600 + 33600) = $91200

Average Costing Method:

March 1 3000 units @ $8. 00 = $24000

March 8 5000 units @ $8. 40 = $42000

Total: 8000 units @ $8. 25 = $66000

Sales: March 14 4000 units @ $14. 00 = $56000

C. O. G: 4000 units @ $8. 25 = $33000

Inventory balance 4000 units @ 8. 25 = $33000

March 18 6000 units @ 8. 20 = $49200

Total: 10000 units @ 8. 22 = $82200

Sales: March 25 7000 units @ 14. 00 = $98000

7000 units @ 8. 22 = $57540

Inventory balance 3000 units @ 8. 22 = $24660

Inventory balance as at March 2016 is $24660

C. O. G for the period ended March 2016 is $(33000 + 57540) = $90540

b) Gross Profit:

Sales: (4000 units * $14. 00) + (7000 units * $14. 00) = $154000

Gross Profit under FIFO:

= Sales – C. O. G

= $154000 - $90600

= $63400

Gross Profit under LIFO:

= $154000 - $91200

= $62800

Gross Profit under Average Costing Method:

= $154000 - $90540

=$63460

Problem Two:

a)

Cost

Market Cost

Allowance

Standard

181000

152000

30000

Accordian

254000

249800

4200

Roll top

210000

214000

4000

Total

$645000

$463800

$38200

Gain = Selling price – Cost of goods

= $649800 –$(645000 - 38200)

= $42600

b)

The lower of cost or market rule directs that businesses should record the cost of inventories at the lower cost between the original cost of the inventory and the prevailing market price. The current market of inventory should be lower than the net realizable value of the inventory though it should not be lower than the net realizable value less the normal profits.