

Dollar Value LIFO Example 1 (Company A)

Company A adopted Dollar Value LIFO on January 1, 2006.

Date	Ending inventory at current year cost	Cost Index	
1/1/2006	\$ 800,000	1.00	Base year
12/31/2006	\$ 860,000	1.06	
12/31/2007	\$ 950,000	1.14	
12/31/2008	\$ 980,000	1.21	
12/31/2009	\$ 1,050,000	1.27	

Date	Ending inventory at current year cost	Conversion factor (Current --> Base)	Ending inventory at base year cost	Increase (Decrease)	Inventory layers	Year	Conversion factor (Base --> Added year)	Inventory layers at added year cost	Ending inventory (Dollar Value LIFO)
1/1/2006	\$ 800,000	1.00/1.00	\$ 800,000		\$ 800,000	Base Layer	1.00	\$ 800,000	\$ 800,000
12/31/2006	\$ 860,000	1.00/1.06	\$ 811,321	\$ 11,321	\$ 800,000	Base Layer	1.00	\$ 800,000	\$ 812,000
					\$ 11,321	2006	1.06	\$ 12,000	
12/31/2007	\$ 950,000	1.00/1.14	\$ 833,333	\$ 22,013	\$ 800,000	Base Layer	1.00	\$ 800,000	\$ 837,094
					\$ 11,321	2006	1.06	\$ 12,000	
					\$ 22,013	2007	1.14	\$ 25,094	
12/31/2008	\$ 980,000	1.00/1.21	\$ 809,917	\$ (23,416)	\$ 800,000	Base Layer	1.00	\$ 800,000	\$ 810,512
					\$ 9,917	2006	1.06	\$ 10,512	
12/31/2009	\$ 1,050,000	1.00/1.27	\$ 826,772	\$ 16,854	\$ 800,000	Base Layer	1.00	\$ 800,000	\$ 831,917
					\$ 9,917	2006	1.06	\$ 10,512	
					\$ 16,854	2009	1.27	\$ 21,405	