

Inventory Valuation Example 1

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Date	Transactions	Units Purchased	Units Sold	Unit Cost	Inventory Units
	Beginning Inventory	700		\$10	700
May 1	Inventory	700		\$10	700
May 3	Purchase	100		\$12	800
May 8	Sale (*1)		500	??	300
May 15	Purchase	600		\$14	900
May 19	Purchase	200		\$15	1,100
May 25	Sale (*2)		400	??	700
May 27	Sale (*3)		100	??	600
	Ending Inventory			??	
May 31	Inventory Total	1,600	1,000		

FIFO, Perpetual

				Units	Unit Cost	Purchases	Cost of goods sold	Ending inventory
(*1)	500 units sold		Beginning Inventory					
	500 units from	May 1	Inventory	500	\$10	\$5,000	\$5,000	
(*2)	400 units sold		Beginning Inventory					
	200 units from	May 1	Inventory	200	\$10	\$2,000	\$2,000	
	100 units from	May 3	Purchase	100	\$12	\$1,200	\$1,200	
	100 units from	May 15	Purchase	100	\$14	\$1,400	\$1,400	
(*3)	100 units sold		Beginning Inventory					
	100 units from	May 15	Purchase	100	\$14	\$1,400	\$1,400	
Ending inventory	600 units							
	400 units from	May 15	Purchase	400	\$14	\$5,600		\$5,600
	200 units from	May 19	Purchase	200	\$15	\$3,000		\$3,000
FIFO, Perpetual			Total	1,600		\$19,600	\$11,000	\$8,600

LIFO, Perpetual

				Units	Unit Cost	Purchases	Cost of goods sold	Ending inventory
(*1)	500 units sold		Beginning Inventory					
	100 units from	May 3	Purchase	100	\$12	\$1,200	\$1,200	
	400 units from	May 1	Inventory	400	\$10	\$4,000	\$4,000	
(*2)	400 units sold		Beginning Inventory					
	200 units from	May 19	Purchase	200	\$15	\$3,000	\$3,000	
	200 units from	May 15	Purchase	200	\$14	\$2,800	\$2,800	
(*3)	100 units sold		Beginning Inventory					

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	100 units from	May 15	Purchase	100	\$14	\$1,400	\$1,400	
Ending inventory	600 units							
	300 units from	May 1	Beginning Inventory	300	\$10	\$3,000		\$3,000
	300 units from	May 15	Purchase	300	\$14	\$4,200		\$4,200
LIFO, Perpetual			Total	1,600		\$19,600	\$12,400	\$7,200

FIFO, Periodic

				Units	Unit Cost	Purchases	Cost of goods sold	Ending inventory
(*1)	500 units sold							
	500 units from	May 1	Beginning Inventory	500	\$10	\$5,000	\$5,000	
(*2)	400 units sold							
	200 units from	May 1	Beginning Inventory	200	\$10	\$2,000	\$2,000	
	100 units from	May 3	Purchase	100	\$12	\$1,200	\$1,200	
	100 units from	May 15	Purchase	100	\$14	\$1,400	\$1,400	
(*3)	100 units sold							
	100 units from	May 15	Purchase	100	\$14	\$1,400	\$1,400	
Ending inventory	600 units							
	400 units from	May 15	Purchase	400	\$14	\$5,600		\$5,600
	200 units from	May 19	Purchase	200	\$15	\$3,000		\$3,000
FIFO, Periodic			Total	1,600		\$19,600	\$11,000	\$8,600

LIFO, Periodic

				Units	Unit Cost	Purchases	Cost of goods sold	Ending inventory
(*1)	500 units sold							
	200 units from	May 19	Purchase	200	\$15	\$3,000	\$3,000	
	300 units from	May 15	Purchase	300	\$14	\$4,200	\$4,200	
(*2)	400 units sold							
	300 units from	May 15	Purchase	300	\$14	\$4,200	\$4,200	
	100 units from	May 3	Purchase	100	\$12	\$1,200	\$1,200	
(*3)	100 units sold							
	100 units from	May 1	Beginning Inventory	100	\$10	\$1,000	\$1,000	
Ending inventory	600 units							
	600 units from	May 1	Beginning Inventory	600	\$10	\$6,000		\$6,000

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LIFO, Periodic	Total	1,600	\$19,600	\$13,600	\$6,000
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Comparison		Purchase	Cost of goods sold	Ending inventory
FIFO	Perpetual	\$ 19,600	\$ 11,000	\$ 8,600
LIFO	Perpetual	\$ 19,600	\$ 12,400	\$ 7,200
FIFO	Periodic	\$ 19,600	\$ 11,000	\$ 8,600
LIFO	Periodic	\$ 19,600	\$ 13,600	\$ 6,000

When prices go up	Old cost	<	Recent cost
	FIFO		LIFO
Cost of goods sold	Old cost	<	Recent cost
Ending inventory	Recent cost	>	Old cost
Perpetual	FIFO		LIFO
Cost of goods sold	\$ 11,000	<	\$ 12,400
Ending inventory	\$ 8,600	>	\$ 7,200
Periodic	FIFO		LIFO
Cost of goods sold	\$ 11,000	<	\$ 13,600
Ending inventory	\$ 8,600	>	\$ 6,000
FIFO	Perpetual	=	Periodic
Cost of goods sold	\$ 11,000	=	\$ 11,000
Ending inventory	\$ 8,600	=	\$ 8,600
LIFO	Perpetual		Periodic
Cost of goods sold	\$ 12,400	<	\$ 13,600
Ending inventory	\$ 7,200	>	\$ 6,000
LIFO	Perpetual		Periodic
Cost of goods sold	Old cost	<	Recent cost
Ending inventory	Recent cost	>	Old cost

LIFO perpetual applies "Last-in First-out" during the period.
 LIFO periodic applies "Last-in First-out" at the end of period.

Moving average, Perpetual

Date	Transactions	Units Purchased	Units sold	Unit Cost	Inventory Units	Purchases	Moving average unit cost	Cost of goods sold	Ending inventory
May 1	Beginning Inventory	700		\$ 10.00	700	\$ 7,000	\$ 10.00		
May 3	Purchase	100		\$ 12.00	800	\$ 1,200	\$ 10.25		
May 8	Sale (*1)		500	??	300		\$ 10.25	\$ 5,125	
May 15	Purchase	600		\$ 14.00	900	\$ 8,400	\$ 12.75		
May 19	Purchase	200		\$ 15.00	1,100	\$ 3,000	\$ 13.16		
May 25	Sale (*2)		400	??	700		\$ 13.16	\$ 5,264	
May 27	Sale (*3)		100	??	600		\$ 13.16	\$ 1,316	
May 31				??	600		\$ 13.16		\$ 7,895

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Total	1,600	1,000		\$ 19,600	\$ 11,705	\$ 7,895
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Weighted average, Periodic

Date	Transactions	Units Purchased	Units sold	Unit Cost	Inventory Units	Purchases	Weighted average unit cost	Cost of goods sold	Ending inventory
May 1	Beginning Inventory	700		\$ 10.00	700	\$ 7,000	\$ 12.25		
May 3	Purchase	100		\$ 12.00	800	\$ 1,200	\$ 12.25		
May 8	Sale (*1)		500	??	300		\$ 12.25	\$ 6,125	
May 15	Purchase	600		\$ 14.00	900	\$ 8,400	\$ 12.25		
May 19	Purchase	200		\$ 15.00	1,100	\$ 3,000	\$ 12.25		
May 25	Sale (*2)		400	??	700		\$ 12.25	\$ 4,900	
May 27	Sale (*3)		100	??	600		\$ 12.25	\$ 1,225	
May 31					600		\$ 12.25		\$ 7,350
	Total	1,600	1,000			\$ 19,600	12.25	\$ 12,250	\$ 7,350

Weighted average unit cost

$$= (700 \times \$10 + 100 \times \$12 + 600 \times \$14 + 200 \times \$15) / (700 + 100 + 600 + 200)$$