

Inventory Valuation Example 1

**Inventory Valuation Example 1**

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
May 31	Ending Inventory			??	
	Total	1,600	1,000		

FIFO, Perpetual

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

LIFO, Perpetual

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

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

**FIFO, Periodic**

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

**LIFO, Periodic**

				Units	Unit Cost	Purchases	Cost of goods sold	Ending inventory
<b>(*1)</b>	500 units sold							
	200 units from	May 19	Purchase	200	<b>\$15</b>	\$3,000	\$3,000	
	300 units from	May 15	Purchase	300	<b>\$14</b>	\$4,200	\$4,200	
<b>(*2)</b>	400 units sold							
	300 units from	May 15	Purchase	300	<b>\$14</b>	\$4,200	\$4,200	
	100 units from	May 3	Purchase	100	<b>\$12</b>	\$1,200	\$1,200	
<b>(*3)</b>	100 units sold							
	100 units from	May 1	Beginning Inventory	100	<b>\$10</b>	\$1,000	\$1,000	
Ending inventory	600 units							
	600 units from	May 1	Beginning Inventory	600	<b>\$10</b>	\$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	<b>\$ 7,895</b>
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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	<b>12.25</b>	\$ 12,250	<b>\$ 7,350</b>

Weighted average unit cost

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