

Exercise 8-14

Aug. 1 Inventory on hand – 2,000 units; cost \$5.30 each

Aug. 8 Purchased 8,000 units for \$5.50 each

Aug. 14 Sold 6,000 units for \$12.00 each

Aug. 18 Purchased 6,000 units for \$5.60 each

Aug. 25 Sold 7,000 units for \$11.00 each

Aug. 28 Purchased 4,000 units for \$5.80 each

Aug. 31 Inventory on hand – 7,000 units

Exercise 8-14 (continued)

Costs and Units to Account For

|                                |                                    |                   |
|--------------------------------|------------------------------------|-------------------|
| Beginning inventory            | 2,000 units @ \$5.30 each =        | \$10,600          |
| Add: Purchases                 |                                    |                   |
| Aug. 8                         | 8,000 units @ \$5.50 each =        | 44,000            |
| Aug. 18                        | 6,000 units @ \$5.60 each =        | 33,600            |
| Aug. 28                        | <u>4,000</u> units @ \$5.80 each = | <u>23,200</u>     |
| Available for sale             | 20,000 units                       | \$ <u>111,400</u> |
| Less: Units sold (6,000+7,000) | <u>13,000</u> units                |                   |
| Ending inventory (E.I.)        | <u>7,000</u> units                 |                   |

Exercise 8-14 (continued)

Perpetual Inventory System

Aug. 1 Inventory on hand – 2,000 units; cost \$5.30 each

Aug. 8 Purchased 8,000 units for \$5.50 each

Aug. 14 Sold 6,000 units for \$12.00 each

Aug. 18 Purchased 6,000 units for \$5.60 each

Aug. 25 Sold 7,000 units for \$11.00 each

Aug. 28 Purchased 4,000 units for \$5.80 each

Aug. 31 Inventory on hand – 7,000 units

|                  |      |                                    |                  |
|------------------|------|------------------------------------|------------------|
| FIFO: COGS       | 8/14 | 2,000 units @ \$5.30 (BI)          | \$ 10,600        |
|                  |      | 4,000 units @ \$5.50 (8/8)         | 22,000           |
|                  | 8/25 | 4,000 units @ \$5.50 (8/8)         | 22,000           |
|                  |      | <u>3,000 units @ \$5.60 (8/18)</u> | <u>16,800</u>    |
|                  |      | <u>13,000 units</u>                | <u>\$ 71,400</u> |
| Ending Inventory |      | 3,000 units @ \$5.60 (8/18)        | \$ 16,800        |
|                  |      | <u>4,000 units @ \$5.80 (8/28)</u> | <u>23,200</u>    |
|                  |      | <u>7,000 units</u>                 | <u>\$ 40,000</u> |
| Total            |      | <u>20,000 units</u>                | <u>\$111,400</u> |

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Exercise 8-14 (continued)

Perpetual Inventory System

Aug. 1 Inventory on hand – 2,000 units; cost \$5.30 each = \$10,600

Aug. 8 Purchased 8,000 units for \$5.50 each = \$44,000

Aug. 14 Sold 6,000 units for \$12.00 each

Aug. 18 Purchased 6,000 units for \$5.60 each = \$33,600

Aug. 25 Sold 7,000 units for \$11.00 each

Aug. 28 Purchased 4,000 units for \$5.80 each = \$23,200

Aug. 31 Inventory on hand – 7,000 units

Average: COGS 8/14  $(\$10,600 + \$44,000)/(2,000 + 8,000) = \$5.46 \times 6,000 = \underline{\$32,760}$ ; On hand =  $4,000 \times \$5.46 = \underline{\$21,840}$

8/25  $(\$21,840 + 33,600)/(4,000 + 6,000) = \$5.544 \times 7,000 = \underline{\$38,808}$ ; On hand =  $3,000 \times \$5.544 = \$16,632$

4,000 x \$5.800 = 23,200

**COGS = \$71,568**

**Ending Inventory = \$39,832**

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