

Shell Tutorial Center

Inventory Methods

Example:

<u>Date</u>	<u>Inventories</u>	<u>Unit</u>	<u>Cost</u>	<u>Total</u>
Jan. 1	Beg. Inventory	10	\$2.00	\$20.00
Jan. 13	Purchase	7	\$4.00	\$28.00
Jan. 29	<u>Purchase</u>	<u>12</u>	\$3.00	<u>\$36.00</u>
	Total Inventories	29		\$84.00

Cost of Goods Sold: 15 units
Ending Inventory: 14 units

*Find Cost of Goods Sold using FIFO, LIFO, & Avg. Cost
*Find Ending Inventory using FIFO, LIFO, & Avg. Cost

LIFO

<u>COGS</u>		<u>Unit</u>	<u>Cost</u>	<u>Total</u>
Jan. 29	Purchase	12	\$3.00	\$36.00
Jan. 13	Purchase	<u>3</u>	\$4.00	<u>\$12.00</u>
	*must equal to COGS	14		\$36.00

LIFO

COGS = \$48.00
Ending Inventory = \$36.00

Ending Inventory

Jan. 1	Beg. Inventory	10	\$2.00	\$20.00
Jan. 13	Purchase	<u>4</u>	\$4.00	<u>\$16.00</u>
	*must equal to ending inventory	14		\$36.00

FIFO

<u>COGS</u>		<u>Unit</u>	<u>Cost</u>	<u>Total</u>
Jan. 1	Beg. Inventory	10	\$2.00	\$20.00
Jan. 13	Purchase	<u>5</u>	\$4.00	<u>\$20.00</u>
		15		\$40.00

FIFO

COGS = \$40.00
Ending Inventory = \$44.00

Ending Inventory

Jan. 29	Purchase	12	\$3.00	\$36.00
Jan. 13	Purchase	<u>2</u>	\$4.00	<u>\$8.00</u>
				\$44.00

Average Cost

$$\frac{\text{Total Cost}}{\text{Total Unit}} = \frac{\$84.00}{29} = \$2.89 \text{ per unit}$$

$$\text{Ending Inventory} = 14 \text{ units} \times \$2.89 = \$40.55$$

$$\text{COGS} = 15 \text{ units} \times \$2.89 = \$43.35$$

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