

P6-4 Inventory by three cost flow methods

Obj | 6, 7

Details regarding the inventory of appliances at January 1, 20Y7, purchases invoices during the year, and the inventory count at December 31, 20Y7, of Icelander Appliances are summarized as follows:



✓ 1. \$11,227

Model	Inventory, January 1	Purchases Invoices			Inventory Count, December 31
		1st	2nd	3rd	
1015x	9 at \$213	7 at \$215	3 6 at \$222	6 at \$225	9
256Br	20 at \$120	12 at \$130	4 at \$130	4 at \$140	8
378Wh	6 at \$305	3 at \$310	3 at \$316	4 at \$317	4
590Pm	2 at \$520	2 at \$527	2 at \$530	2 at \$535	4
661Qu	6 at \$520	8 at \$531	4 at \$549	6 at \$542	7
828Ts	—	4 at \$222	4 at \$232	—	2
913Vn	8 at \$35	12 at \$36	16 at \$37	14 at \$39	12

Instructions

- Determine the cost of the inventory on December 31, 20Y7, by the first-in, first-out method. Present data in columnar form, using the following headings:

Model	Quantity	Unit Cost	Total Cost
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- If the inventory of a particular model comprises one entire purchase plus a portion of another purchase acquired at a different unit cost, use a separate line for each purchase.
- Determine the cost of the inventory on December 31, 20Y7, by the last-in, first-out method, following the procedures indicated in (1).
- Determine the cost of the inventory on December 31, 20Y7, by the average cost method, using the columnar headings indicated in (1).
- Discuss which method (FIFO or LIFO) would be preferred for income tax purposes in periods of (a) rising prices and (b) declining prices.