LO 7-S1 **M7-16 (Supplement 7A) Calculating Cost of Goods Sold and Ending Inventory under FIFO and LIFO (Perpetual Inventory)**

Refer to M7-7. Calculate the cost of ending inventory and cost of goods sold assuming a perpetual inventory system is used in combination with (*a*) FIFO and (*b*) LIFO.

LO 7-S1 **M7-17 (Supplement 7A) Calculating Cost of Goods Sold and Ending Inventory under Perpetual FIFO, LIFO, and Weighted Average Cost**

Repeat M7-8, except assume Literacy for the Illiterate uses a perpetual inventory system and it sold 600 units between January 9 and January 28.

O 7-S2 **M7-18 (Supplement 7B) Determining the Financial Statement Effects of Inventory Errors**

Assume the 2012 ending inventory of Shea's Shrimp Shack was understated by $10,000. Explain how this error would affect the amounts reported for cost of goods sold and gross profit for 2012 and 2013.

O 7-S2 **M7-19 (Supplement 7B) Determining the Financial Statement Effects of Inventory Errors**

Repeat M7-18, except assume the 2012 ending inventory was *over*stated by $100,000.

EXERCISES

connect ACCOUNTING

-1, 7-2 **E7-1 Items Included in Inventory**

ll, Inc.

PC Mall, Inc., is a direct marketer of computer hardware, software, peripherals, and electronics. In a recent annual report, the company reported that its revenue is "recognized upon receipt of the product by the customer" and that its "inventories include goods-in-transit to customers."

Required:

1. Indicate whether PC Mall's sales terms are FOB shipping point or FOB destination.
2. Assume PC Mall sold inventory on account to eCOST.com on December 28, 2012, which was to be delivered January 3, 2013. The inventory cost PC Mall $25,000 and the selling price was $30,000. What amounts, if any, related to this transaction would be reported on PC Mall's balance sheet and income statement in 2012? In 2013?
3. PC Mall placed inventory on consignment with one of its customers. Would this inventory have been reported on the balance sheet of PC Mall or its customer?
4. Assume PC Mall purchased electronics on December 29, 2012, which were received on January 2, 2013. For these goods to be included in PC Mall's inventory on December 31, 2012, would the terms have been under FOB destination or FOB shipping point?

O 7-2 **E7-2 Inferring Missing Amounts Based on Income Statement Relationships**

Supply the missing dollar amounts for the income statement of Lewis Retailers for each of the following independent cases:

Cases	Sales Revenue	Beginning Inventory	Purchases	Cost of Goods Available for Sale	Cost of Goods Sold	Cost of Ending Inventory	Gross Prof
A	$ 700	$100	$800	?	$300	$?	$?
B	900	200	800	?	?	150	?
C	?	100	?	?	200	300	400
D	800	?	600	?	650	250	?
E	1,000	50	900	?	?	?	500

E7-3 Inferring Missing Amounts Based on Income Statement Relationships LO 7-2

Supply the missing dollar amounts for the income statement of Clark Retailers for each of the following independent cases:

Cases	Sales Revenue	Beginning Inventory	Purchases	Total Available	Ending Inventory	Cost of Goods Sold	Gross Profit	Selling and General Expenses	Income fr Operatio
A	$800	$100	$700	$?	$500	$?	$?	$200	$?
B	900	200	700	?	?	?	?	150	0
C	?	100	?	?	200	200	400	150	?
D	800	?	600	?	300	?	?	250	100

E7-4 Inferring Merchandise Purchases LO 7-2

The Gap, Inc.

The Gap, Inc., is a specialty retailer that operates stores selling clothes under the trade names Gap, Banana Republic, and Old Navy. Assume that you are employed as a stock analyst and your boss has just completed a review of the annual report of The Gap, Inc., for the year ended January 31, 2011. She provided you with her notes, but they are missing some information that you need. Her notes show that the ending inventory for Gap in the current year was $1,602 million and in the previous year it was $1,477 million. Net Sales for the current year were $14,664 million. Gross Profit was $5,889 million and Net Income was $1,204 million. For your analysis, you determine that you need to know the amount of Cost of Goods Sold and Purchases for the year.

Required:

Do you need to ask your boss for her copy of the annual report, or can you develop the information from her notes? Explain and show calculations.

E7-5 Calculating Cost of Ending Inventory and Cost of Goods Sold under Periodic FIFO, LIFO, and Weighted Average Cost LO 7-3

Oahu Kiki tracks the number of units purchased and sold throughout each accounting period but applies its inventory costing method at the end of each month, as if it uses a periodic inventory system. Assume Oahu Kiki's records show the following for the month of January. Sales totaled 240 units.

	Date	Units	Unit Cost	Total Cost
Beginning Inventory	January 1	120	$ 80	$ 9,600
Purchase	January 15	380	90	34,200
Purchase	January 24	200	110	22,000

Required:

1. Calculate the number and cost of goods available for sale.
2. Calculate the number of units in ending inventory.
3. Calculate the cost of ending inventory and cost of goods sold using the (*a*) FIFO, (*b*) LIFO, and (*c*) weighted average cost methods.