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## Ending Merchandise Inventory

### DEMONSTRATION PROBLEM

The Idle Company's beginning inventory of item 273A and dates of purchases and sales for a three-month period are as follows:

Date		Number of Units	Purchase Price per Unit	Selling Price per Unit
June 1	Inventory	120	\$24.30	
15	Purchase	175	24.70	
19	Sale	80		\$33.00
29	Sale	60		33.00
July 3	Purchase	220	25.00	
14	Sale	110		35.00
21	Sale	50		35.00
31	Purchase	80	25.25	
Aug. 5	Sale	200		38.00
17	Sale	20		38.00
22	Sale	50		38.00
30	Purchase	200	25.35	
31	Sale	75		38.50

Idle Company maintains a perpetual inventory using the first-in, first-out method.

### Instructions

1. Record the data for purchases of item 273A and the cost of goods sold for the months of June, July, and August on a perpetual inventory record, using the first-in, first-out method.
2. Determine the total cost of goods sold for item 273A during the three-month period.
3. Determine the total sales of item 273A during the three-month period.
4. Determine the gross profit from sales of item 273A for the three-month period.

**SOLUTION**

1.

**INVENTORY RECORD CARD**

ITEM 273A LOCATION Warehouse  
 MAXIMUM 380 MINIMUM 25 METHOD FIFO

DATE	PURCHASED AT COST			SALES			COST OF GOODS SOLD			INVENTORY AT COST		
	UNITS	COST	TOTAL	UNITS	PRICE	TOTAL	UNITS	COST	TOTAL	UNITS	COST	TOTAL
6/1	Bal.									120	\$24.30	\$ 2,916.00
6/15	175	\$24.70	\$ 4,322.50							120	24.30	2,916.00
										175	24.70	4,322.50
6/19				80	\$33.00	\$ 2,640.00	80	\$24.30	\$ 1,944.00	40	24.30	972.00
										175	24.70	4,322.50
6/29				60	33.00	1,980.00	40	24.30	972.00			
							20	24.70	494.00	155	24.70	3,828.50
7/3	220	25.00	5,500.00							155	24.70	3,828.50
										220	25.00	5,500.00
7/14				110	35.00	3,850.00	110	24.70	2,717.00	45	24.70	1,111.50
										220	25.00	5,500.00
7/21				50	35.00	1,750.00	45	24.70	1,111.50			
							5	25.00	125.00	215	25.00	5,375.00
7/31	80	25.25	2,020.00							215	25.00	5,375.00
										80	25.25	2,020.00
8/5				200	38.00	7,600.00	200	25.00	5,000.00	15	25.00	375.00
										80	25.25	2,020.00
8/17				20	38.00	760.00	15	25.00	375.00			
							5	25.25	126.25	75	25.25	1,893.75
8/22				50	38.00	1,900.00	50	25.25	1,262.50	25	25.25	631.25
8/30	200	25.35	5,070.00							25	25.25	631.25
										200	25.35	5,070.00
8/31				75	38.50	2,887.50	25	25.25	631.25			
							50	25.35	1,267.50	150	25.35	3,802.50
Total	675	—	\$16,912.50	645	—	\$23,367.50	645	—	\$16,026.00	—	—	—

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2. Total cost of goods sold for the three-month period is \$16,026.00.
3. Total sales for the three-month period are \$23,367.50.
4. Gross profit for the three-month period is \$7,341.50.

Sales	\$23,367.50
Less cost of goods sold	<u>16,026.00</u>
Gross profit	<u>\$ 7,341.50</u>