III. INVENTORY ERRORS

Instructions: Fill in the following chart to determine the effect of placing a $12,000 value on an inventory worth $10,000.

	1996	1997	1998
Sales	$70,000	$70,000	$70,000
Cost of Goods Sold:			
Beginning Inventory	10,000		
Purchases	40,000	40,000	40,000
Cost of Goods Available	$50,000	$	$
Ending Inventory	_______	10,000	10,000
Cost of Goods Sold	_______	_______	_______
Gross Profit			

Hint: Average Gross Profit over 3 years was $30,000.

IV. LOWER OF COST OR MARKET

Instructions: Given the following data, calculate lower of cost or market for the entire inventory by product and by total market.

Product	Unit on Hand	Per Unit Value Cost	Per Unit Value Market
1	15	$4	$5
2	20	3	2
3	25	5	4

Hint: Lower of cost or market valued by total market was $15 higher than the valuation by product.

V. ESTIMATING INVENTORY VALUES

Instruction: Calculate the value of the ending inventory using these two methods.

RETAIL METHOD

GIVEN:

	Cost	Selling Price
Merchandise Inventory: Sept. 30	$60,000	$ 90,000
Net Purchases During October	40,000	70,000
Net Sales During October		120,000

$ 25,000

GROSS PROFIT METHOD

GIVEN:

Sales	$122,000
Sales Returns	2,000
Beginning Inventory	60,000
Net Purchases	40,000
Gross Profit % .375	

$ 25,000