## III. INVENTORY ERRORS

Sales Cost of Goods Sold:	1996 \$70,000	1997 \$70,000	1998 \$70,000	
Beginning Inventory	10,000	12,000	10,000	
Purchases	40,000	40,000	40,000	
Cost of Goods Available	\$50,000	\$52,000	\$50,000	
Ending Inventory	_12,000	10,000	10,000	
Cost of Goods Sold	\$38,000	\$42,000	\$40,000	
Gross Profit	\$32,000	\$28,000	\$30,000	

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 Va Cost Marke		Total Market	Lower of Cost or Market (by Product)
1	15	\$4 \$5	\$60	\$75	\$ 60
2	20	3 2	60	40	40
3	25	5 4	_125 \$245	100	100 \$200
	L	ower of Cost (by Total M		\$215	

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			GROSS PROFIT METHOD		
		Selling			
GIVEN:	Cost	Price	GIVEN:		
Merchandise Inventory: Sept. 30	\$60,000	\$ 90,000			
Net Purchases During October	40,000	70,000	Sales	\$122,000	
Net Sales During October		120,000	Sales Returns	2,000	
			Beginning Inventory	60,000	
		Selling	Net Purchases	40,000	
Cost of Goods Available:	Cost	Price	Gross Profit % .375		
Beginning Inventory	\$ 60,000	\$ 90,000	and a little of the first owner.		
Net Purchases	40,000	70,000	Cost of Goods Available:		
Cost of Goods Available	\$100,000	\$160,000			
			Beginning Inventory	\$ 60,000	
			Net Purchases	40,000	
			Cost of Goods Available	\$100,000	
Cost Ratio:					
			Cost of Goods Sold:		
Goods Available at Cost		.625			
Goods Available at Selling Pri	ce \$160,000		Net Sales \$120,000		
	Deduct Sales	\$120,000			
Ending Inventory at	Selling Price	\$ 40,000	Cost of Sales:		
	G D		200 200 100 100		
	Cost Ratio	.625	1 - Gross Profit %		
			1375		
			Cost of Goods Sold	75,000	
			0000 01 00000 0010	.5,000	
		\$ 25,000		\$25,000	