

Name: \_\_\_\_\_ Date: \_\_\_\_\_A

Discussion Section: \_\_\_\_\_ Row: \_\_\_\_\_ Seat: \_\_\_\_\_

PRINCIPLES OF FINANCIAL ACCOUNTING I  
Chapter 6 – Inventory Procedures  
Fall 2014

"As a student of ORU, I pledge my full and hearty support to the Honor Code. I agree not only to be honest myself but to report all cases of dishonesty that are observed by me."

Indicate whether the following statements are TRUE or FALSE by indicating "+" for true and "0" for false in the blank provided at the right.

1. Using perpetual procedures taking an annual physical inventory would be unnecessary. \_\_\_\_\_
2. During a period of rising prices, FIFO will result in a higher net income for a company than LIFO costing will. \_\_\_\_\_
3. During a period of declining prices, FIFO will give the lowest balance sheet presentation for inventory. \_\_\_\_\_
4. When periodic inventory is used, two entries must be made to record a sale: (1) to record the revenue and (2) to record the cost of goods sold. \_\_\_\_\_

For Autumn Company, the following items were available for sale (periodic system used):

Beginning inventory	9 units at \$10
First purchase	10 units at \$12
Second purchase	6 units at \$14

There were seven (7) items in ending inventory.

- 5-6. Determine the cost of the ENDING INVENTORY by the FIRST-IN, FIRST-OUT METHOD. (Show and label your work in good form.)
  
- 7-8. Determine the cost of the ENDING INVENTORY by the WEIGHTED AVERAGE METHOD. (Show and label your work in good form.)
  
- 9-10. Determine the COST OF GOODS SOLD by the LAST-IN, FIRST-OUT METHOD. (Show and label your work in good form.)

When you finish, please put your paper face down at the end of your row to your left.

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Indicate whether the following statements are TRUE or FALSE by indicating "+" for true and "0" for false in the blank provided at the right.

- |    |                                                                                                                                                 |          |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1. | Using perpetual procedures taking an annual physical inventory would be unnecessary.                                                            | <u>0</u> |
| 2. | During a period of rising prices, FIFO will result in a higher net income for a company than LIFO costing will.                                 | <u>+</u> |
| 3. | During a period of declining prices, FIFO will give the lowest balance sheet presentation for inventory.                                        | <u>+</u> |
| 4. | When periodic inventory is used, two entries must be made to record a sale: (1) to record the revenue and (2) to record the cost of goods sold. | <u>0</u> |

For Autumn Company, the following items were available for sale (periodic system used):

Beginning inventory	9 units at \$10	=	<b>90</b>
First purchase	10 units at \$12	=	<b>120</b>
Second purchase	<u>6</u> units at \$14	=	<u><b>84</b></u>
<b>GAFS</b>	<b>25</b>		<b>294</b>

There were seven (7) items in ending inventory.

- 5-6. Determine the cost of the ENDING INVENTORY by the FIRST-IN, FIRST-OUT METHOD. (Show and label your work in good form.)

<b>6</b>	<b>@</b>	<b>14</b>	<b>=</b>	<b>84</b>
<b>1</b>	<b>@</b>	<b>12</b>	<b>=</b>	<u><b>12</b></u>
<b>Total EI</b>				<b>96</b>

- 7-8. Determine the cost of the ENDING INVENTORY by the WEIGHTED AVERAGE METHOD. (Show and label your work in good form.)

<u><b>GAFS</b></u>	<b>294</b>	<b>=</b>	<b>11.76</b>	<b>x</b>	<b>7</b>	<b>=</b>	<b>82.32</b>
<b>UAFS</b>	<b>25</b>						

- 9-10. Determine the COST OF GOODS SOLD by the LAST-IN, FIRST-OUT METHOD. (Show and label your work in good form.)

**Choose one or the other:**

<p style="text-align: center; margin: 0;"><b>I. Deduct EI from GAFS to find COGS:</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;"><b>GAF</b></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><b>\$ 294</b></td> </tr> <tr> <td><b>Less EI:</b></td> <td style="text-align: center;"><b>7 @ 10</b></td> <td style="text-align: center;"><b>=</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u><b>70</b></u></td> <td></td> </tr> <tr> <td><b>COGS</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><b>\$224</b></td> <td></td> </tr> </table>	<b>GAF</b>																			<b>\$ 294</b>	<b>Less EI:</b>	<b>7 @ 10</b>	<b>=</b>						<u><b>70</b></u>		<b>COGS</b>								<b>\$224</b>		<p style="text-align: center; margin: 0;"><b>II. Prove by listing those sold:</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><b>84</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><b>120</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u><b>20</b></u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><b>Total COGS</b></td> <td style="text-align: right;"><b>\$224</b></td> </tr> </table>																				<b>84</b>										<b>120</b>									<u><b>20</b></u>										<b>Total COGS</b>	<b>\$224</b>
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