

Accounting 2037 Homework up to Exam 2

Chapter 18 Homework

18-14. The Schulte Tape Company has a beginning inventory for May of \$2,500 (250 tapes at \$10 each) and makes the following purchases and sales of tapes during May:

May 5 Purchases.....	150 tapes @ \$11 = \$1,650
12 Sales.....	160 tapes
22 Purchases.....	150 tapes @ \$12= \$1,800
25 Sales.....	90 tapes

Required: Compute the cost of goods sold and the ending inventory for May if the company uses the following:

- (1) The perpetual inventory system and the FIFO cost flow assumption.
- (2) The perpetual inventory system and the LIFO cost flow assumption.

(1)

May 12: 160 tapes @ \$10 each from beginning inventory=\$1,600
May 25: 90 tapes @ \$10 each from beginning inventory=\$900
Cost of Goods Sold for May= \$2,500

150 tapes @ \$11 from purchase on May 5th=\$1,650
150 tapes @ \$12 from purchase on May 22=\$1,800
Cost of Ending Inventory= \$3,450

(2)

May 12: 150 tapes @ \$11 each from purchase on May 5=\$1,650
May 12: 10 tapes @ \$10 each from beginning inventory=\$100
May 25: 90 tapes @ \$12 each from purchase on May 22=\$1,080
Cost of Goods Sold for May= \$2,830

240 tapes @ \$10 each from beginning inventory=\$2,400
60 tapes @ \$12 each from purchase on May 22=\$720
Cost of Ending Inventory \$3,120

A study of past income statements indicates that a gross profit percentage of 25% of net sales is appropriate.

Required: Compute the cost of goods sold and the ending inventory.

$$\begin{aligned}\text{Gross Profit} &= \text{Net Sales} \times \text{Gross Profit Percentage} \\ &= \$85,000 \times 25\% \\ &= \$21,250\end{aligned}$$

$$\begin{aligned}\text{Cost of Goods Sold} &= \text{Net Sales} - \text{Gross Profit} \\ &= \$85,000 - \$21,250 \\ &= \$63,750\end{aligned}$$

$$\begin{aligned}\text{Cost of Goods Available for Sale} &= \text{Beginning Inventory} + \text{Net Purchases} \\ &= \$40,000 + \$40,000 \\ &= \$80,000\end{aligned}$$

$$\begin{aligned}\text{Ending Inventory} &= \text{Cost of Goods Available for Sale} - \text{Cost of Goods Sold} \\ &= \$80,000 - \$63,750 \\ &= \$16,250\end{aligned}$$

18-24. Burriss Department Store uses the retail inventory method. At the end of the first quarter, the following information is available.

	Cost	Retail
Inventory, Jan. 1	\$5,00	\$9,000
	0	
Purchases	35,00	68,000