

Inventory Review Questions:

Applying FIFO, LIFO, Average-Cost Methods

1. Company XYZ, Inc. uses a perpetual inventory System. They began business in 2007. These are their purchases first quarter:

Purchase Date	Quantity	Unit Cost	Total Cost
January 3, 2007	100	\$10	\$1000
January 31, 2007	50	\$11	\$550
March 15, 2007	100	\$12	\$1200
Total on hand	250		\$2750

XYZ, Inc. sells 50 units on February 15, 2007. If XYZ, Inc. uses the FIFO method what is the Cost of Goods Sold?

- A. \$600
- C. \$500
- B. \$2270
- D. \$2170

If this is the only sale of the first quarter, what is the ending inventory?

- A. \$600
- C. \$500
- B. \$2250
- D. \$2170

2. Company XYZ, Inc. uses a perpetual Inventory System. They began business in the beginning of 2007. These are their purchases first quarter:

Purchase Date	Quantity	Unit Cost	Total Cost
January 3, 2007	100	\$10	\$1000
January 31, 2007	50	\$11	\$550
March 15, 2007	100	\$12	\$1200
Total on hand	250		\$2750

XYZ, Inc. sells 50 units on February 15, 2007. If XYZ, Inc. uses the LIFO inventory method, what is the Cost of Goods Sold?

- A. \$600
- C. \$500
- B. \$550
- D. \$2220

If this is the only sale in the first quarter, what is the value of the ending inventory?

- A. \$550
- C. \$2170
- B. \$2200
- D. \$2270

3. Company XYZ, Inc. uses a perpetual Inventory System. They began business the beginning of 2007. These are their purchases first quarter:

Purchase Date	Quantity	Unit Cost	Total Cost
January 3, 2007	100	\$10	\$1000
January 31, 2007	50	\$11	\$550
March 15, 2007	100	\$12	\$1200
Total on hand	250		\$2750

XYZ, Inc. sells 50 units on February 15, 2007. If XYZ, Inc. uses the average-cost inventory method, what is the Cost of Goods Sold?

- A. \$554
- B. \$600
- C. \$517
- D. \$550

If this is the only sale in the first quarter, what is the value of the ending inventory?

- A. 2233
- B. \$2220
- C. \$2270
- D. \$ 2216

4. Company XYZ, Inc. uses a periodic Inventory System. They began business the beginning of 2007. As of March 31, 2007 their inventory includes:

Purchase Date	Quantity	Unit Cost	Total Cost
January 3, 2007	100	\$10	\$1000
January 31, 2007	50	\$11	\$550
March 15, 2007	100	\$12	\$1200
Total on hand	250		\$2750

On March 15, 2007, XYZ has 200 units left in ending inventory. If XYZ, Inc. uses the FIFO inventory method, what is the amount of units sold 1st quarter?

What is the value of Cost of Goods Sold?

- A. \$600
- B. \$554
- C. \$500
- D. \$550

What is the value of the ending inventory?

- A. \$2216
 B. \$2170
 C. \$2220
 D. \$2250

5. Company XYZ, Inc. uses a periodic Inventory System. They began business the beginning of 2007. As of March 31, 2007 their inventory includes:

Purchase Date	Quantity	Unit Cost	Total Cost
January 3, 2007	100	\$10	\$1000
January 31, 2007	50	\$11	\$550
March 15, 2007	100	\$12	\$1200
Total on hand	250		\$2750

On March 15, 2007, XYZ has 200 units left in ending inventory. If XYZ, Inc. uses the LIFO inventory method, what is the amount of units sold 1st quarter?

What is the value of Cost of Goods Sold?

- A. \$500
 B. \$600
 C. \$550
 D. \$554

What is the value of the ending inventory?

- A. \$2150
 B. \$2220
 C. \$2270
 D. \$2216

6. Company XYZ, Inc. uses a periodic Inventory System. They began business the beginning of 2007. As of March 31, 2007 their inventory includes:

Purchase Date	Quantity	Unit Cost	Total Cost
January 3, 2007	100	\$10	\$1000
January 31, 2007	50	\$11	\$550
March 15, 2007	100	\$12	\$1200
Total on hand	250		\$2750

On March 15, 2007, XYZ has 200 units left in ending inventory. If XYZ, Inc. uses the average cost inventory method, what is the amount of units sold 1st quarter?

What is the value of Cost of Goods Sold?

- A. \$550
- B. \$517
- C. \$500
- D. \$554

What is the value of the ending inventory?

- A. \$2200
- B. \$2270
- C. \$2170
- D. \$2220

Questions to think about.

1. Why is the COGS for the perpetual and periodic inventory system the same when using FIFO? Why is it different when using LIFO?
2. When prices are rising what happens to COGS?
3. When prices are rising, how is Income affected?