**Chapter 6 Exercises**



EXERCISE 6-4

(a) FIFO

Beginning inventory (26 X $97) $ 2,522

Purchases

Sept. 12 (45 X $102) $4,590

Sept. 19 (20 X $104) 2,080

Sept. 26 (50 X $105) 5,250 11,920

Cost of goods available for sale 14,442

Less: Ending inventory (20 X $105) 2,100

Cost of goods sold $12,342

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Proof | | | | | | |
|  |  |  |  |  |  |  |
| Date |  | Units |  | Unit Cost |  | Total Cost |
| 9/1 |  | 26 |  | $ 97 |  | $ 2,522 |
| 9/12 |  | 45 |  | 102 |  | 4,590 |
| 9/19 |  | 20 |  | 104 |  | 2,080 |
| 9/26 |  | 30 |  | 105 |  | 3,150 |
|  |  | 121 |  |  |  | $12,342 |

LIFO

Cost of goods available for sale $14,442

Less: Ending inventory (20 X $97) 1,940

Cost of goods sold $12,502

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Proof | | | | | | |
|  |  |  |  |  |  |  |
| Date |  | Units |  | Unit Cost |  | Total Cost |
| 9/26 |  | 50 |  | $105 |  | $ 5,250 |
| 9/19 |  | 20 |  | 104 |  | 2,080 |
| 9/12 9/1 |  | 45  6 |  | 102  97 |  | 4,590  582 |
|  |  | 121 |  |  |  | $12,502 |

(b)

|  |  |  |
| --- | --- | --- |
| FIFO $2,100 (ending inventory) + $12,342 (COGS) = $14,442 | } | Cost of goods available for sale |
| LIFO $1,940 (ending inventory) + $12,502 (COGS) = $14,442 |

Under both methods, the sum of the ending inventory and cost of goods sold equals the same amount, $14,442, which is the cost of goods available for sale.



EXERCISE 6-6

(a) FIFO

Beginning inventory (200 X $5) $1,000

Purchases

June 12 (400 X $6) $2,400

June 23 (300 X $7) 2,100 4,500

Cost of goods available for sale 5,500

Less: Ending inventory (100 X $7)     700

Cost of goods sold $4,800

LIFO

Cost of goods available for sale $5,500

Less: Ending inventory (100 X $5) 500

Cost of goods sold $5,000

(b) The FIFO method will produce the higher ending inventory because costs have been rising. Under this method, the earliest costs are assigned to cost of goods sold and the latest costs remain in ending inventory. For Moath Company, the ending inventory under FIFO is $700 or (100 X $7) compared to $500 or (100 X $5) under LIFO.

(c) The LIFO method will produce the higher cost of goods sold for Moath Company. Under LIFO the most recent costs are charged to cost of goods sold and the earliest costs are included in the ending inventory. The cost of goods sold is $5,000 or [$5,500 – (100 X $5)] compared to $4,800 or ($5,500 – $700) under FIFO.