1. The following information pertains to the physical count of BF Company taken at December 31st:

<table>
<thead>
<tr>
<th>Product</th>
<th># of Units</th>
<th>Cost</th>
<th>NRV</th>
<th>Total Cost</th>
<th>Total NRV</th>
<th>Total Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>25</td>
<td>$20.00</td>
<td>$22.00</td>
<td>$500</td>
<td>$550</td>
<td>$500</td>
</tr>
<tr>
<td>B</td>
<td>35</td>
<td>$12.00</td>
<td>$11.00</td>
<td>$420</td>
<td>$385</td>
<td>$385</td>
</tr>
<tr>
<td>C</td>
<td>15</td>
<td>$14.00</td>
<td>$12.00</td>
<td>$210</td>
<td>$180</td>
<td>$180</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>$1,130</td>
<td></td>
<td>$1,115</td>
<td>$1,065</td>
<td></td>
</tr>
</tbody>
</table>

a) Calculate the LCNRV for the inventory, applied separately to each product = $1,065

b) Prepare the appropriate entry, if any, for (a).

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanations</th>
<th>REF</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 31</td>
<td>Cost of Goods Sold ($1,130 - $1,065)</td>
<td>65</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Merchandise Inventory</td>
<td></td>
<td>65</td>
<td></td>
</tr>
</tbody>
</table>

2. Units | Unit Cost | Total Cost
---------|-----------|----------
January 1<sup>st</sup> Inventory on hand | 150 | $7.00 | $1,050
January 12<sup>th</sup> Purchase | 200 | $9.50 | $1,900
January 16<sup>th</sup> Purchase | 350 | $8.50 | $2,975
January 22<sup>nd</sup> Purchase | 150 | $10.00 | $1,500
Totals | 850 | | $7,425

The TH Company sold 750 (100 + 150 + 300 + 200) units

A) FIFO = First In First Out

Value of the Ending Inventory = 100 units x $10 (January 31<sup>st</sup> purchase) = $1,000
Cost of Goods Sold = $7,425 (Total Purchased) - $1,000 (Ending Inventory) = $6,425

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This answer key has been created by Michael Reimer for the Academic Success Centre
B) Weighted Average rounded to 2 decimal places.

Weighted Average = $7,425 (Total Purchased) ÷ 850 (Total Units Purchased) = $8.74/unit

Value of Ending Inventory = $8.74/unit x 100 units = $874

Cost of Goods Sold = $7,425 (Total Purchased) - $874 (Ending Inventory) = $6,551

3.

Step 1: Calculate Net Sales:

Sales – Sales Returns & Allowances = Net Sales

Sales $150,000
Sales Returns & Allowances (2,500)
Net Sales $147,500

Step 2: Calculate Estimated Cost of Goods Sold:

Net Sales x (1 – Gross Profit Rate) = Estimated Cost of Goods Sold

$147,500 x (1 – 0.50) = $147,500 x 0.50 = $73,750

Step 3: Calculate Net Purchases:

Purchases – Purchase Returns & Allowances + Freight In = Net Purchases

Purchases $75,750
Purchase Returns & Allowances (2,500)
Freight In 3,500
Net Purchases $76,750

Step 4: Calculate Goods Available for Sale:

Beginning Merchandise Inventory + Net Purchases = Goods Available for Sale

Beginning Merchandise Inventory, January 1st $5,500
Add: Net Purchases 76,750
Goods Available for Sale $82,250

Step 5: Calculate Estimated Ending Inventory:

Goods Available for Sale – Estimated Cost of Goods Sold = Estimated Ending Inventory

Goods Available for Sale $82,250
Estimated Cost of Goods Sold (73,750)
Estimated Ending Merchandise Inventory, March 31st $8,500