

Chapter 4 Inventory (Special Valuation)

5. a) Unit LIFO or NRV

Unit LIFO

Ending Inventory = 1,525 units

| | | |
|---------------------|-------------|-------|
| Beginning Inventory | 1,000 @ 5.5 | 5,500 |
| Average Purchase | 525 @ 6.88 | 3,612 |
| Total | | 9,112 |

NRV

$NRV = 9 - 0.5 = 8.5 / \text{unit}$

Total Ending Inventory = $1,525 * 8.5$
= 12,962.5

Lower Cost or NRV → Cost = 9,112

b) Base Stock or NRV

Base Stock

Ending Inventory = 465 units

| | | |
|-------------|----------|-------|
| Base Stock | 375 @ 20 | 7,500 |
| Add Surplus | 90 @ 22 | 1,980 |
| Total | | 9,480 |

NRV

$NRV = 26 - 1.25 = 24.75 / \text{unit}$

Total Ending Inventory = $465 * 24.75$
= 11,508.75

Lower Cost or NRV → Cost = 9,480

7. a)

| | Profit and Loss Account | | |
|-----------------------------|-------------------------|----------|----------|
| | 25x7 | 25x8 | 25x9 |
| Sales | 67,500 | 82,500 | 88,500 |
| <u>Cost of Goods Sold</u> | | | |
| Beginning INV | 10,000 | 12,500 | 14,500 |
| <u>Add Purchase</u> | 40,000 | 46,000 | 50,000 |
| Goods for Sales | 50,000 | 58,500 | 64,500 |
| <u>Less Ending INV</u> | (12,500) | (14,500) | (19,000) |
| Gross Profit | 30,000 | 38,500 | 43,000 |
| <u>Less S&A Expense</u> | (20,000) | (23,500) | (25,000) |
| Net Profit | 10,000 | 15,000 | 18,000 |

b)

| | Profit and Loss Account | | |
|-----------------------------------|-------------------------|----------|----------|
| | 25x7 | 25x8 | 25x9 |
| Sales | 67,500 | 82,500 | 88,500 |
| <u>Cost of Goods Sold</u> | | | |
| Beginning INV | 10,000 | 15,000 | 16,000 |
| <u>Add Purchase</u> | 40,000 | 46,000 | 50,000 |
| Goods for Sales | 50,000 | 61,000 | 66,000 |
| <u>Less Ending INV</u> | (15,000) | (16,000) | (19,000) |
| Gross Profit | 32,500 | 37,500 | 41,500 |
| <u>Less S&A Expense</u> | (20,000) | (23,500) | (25,000) |
| Profit from operation | 12,500 | 14,000 | 16,500 |
| <u>Less Loss from Devaluation</u> | (2,500) | (1,500) | |
| <u>Add Gain from Devaluation</u> | | 2,500 | 1,500 |
| Net Profit | 10,000 | 15,000 | 18,000 |

| | Balance Sheet (Partial) | | |
|-----------------------|-------------------------|--------|--------|
| | 25x7 | 25x8 | 25x9 |
| Inventory | 15,000 | 16,000 | 19,000 |
| <u>Less Allowance</u> | 2,500 | 1,500 | |
| Net Inventory | 12,500 | 14,500 | 19,000 |

a)

| | General Journal | 25x7 | 25x8 | 25x9 |
|---------|----------------------------|--------|--------|--------|
| Dec. 31 | <u>Dr.</u> CGS | 10,000 | 12,500 | 14,500 |
| | <u>Cr.</u> INV (Beginning) | 10,000 | 12,500 | 14,500 |
| | <u>Dr.</u> INV (Ending) | 12,500 | 14,500 | 19,000 |
| | <u>Cr.</u> CGS | 12,500 | 14,500 | 19,000 |

b)

| | General Journal | 25x7 | 25x8 | 25x9 |
|---------|----------------------------------|--------|--------|--------|
| Dec. 31 | <u>Dr.</u> CGS | 10,000 | 15,000 | 16,000 |
| | <u>Cr.</u> INV (Beginning) | 10,000 | 15,000 | 16,000 |
| | <u>Dr.</u> INV (Ending) | 15,000 | 16,000 | 19,000 |
| | <u>Cr.</u> CGS | 15,000 | 16,000 | 19,000 |
| | <u>Dr.</u> Loss from Devaluation | 2,500 | 1,500 | |
| | <u>Cr.</u> Allowance | 2,500 | 1,500 | |
| | <u>Dr.</u> Allowance | | 2,500 | 1,500 |
| | <u>Cr.</u> Gain from Devaluation | | 2,500 | 1,500 |
| | <u>Dr.</u> Profit and Loss | 2,500 | 1,500 | |
| | <u>Cr.</u> Loss from Devaluation | 2,500 | 1,500 | |
| | <u>Dr.</u> Gain from Devaluation | | 2,500 | 1,500 |
| | <u>Cr.</u> Profit and Loss | | 2,500 | 1,500 |

10.

| | 25x7 | 25x8 | 25x9 |
|-----------------|-----------|------------|-----------|
| % of completion | 30% * | 80% ** | 100% |
| Revenue | 7,500,000 | 12,500,000 | 5,000,000 |
| Cost | 6,000,000 | 12,000,000 | 4,750,000 |
| Profit | 1,500,000 | 500,000 | 250,000 |

Note:

* $\{6,000,000 / (6,000,000 + 14,000,000)\} * 100$

** $\{(6,000,000 + 12,000,000) / (6,000,000 + 12,000,000 + 4,500,000)\} * 100$

14. 1)

| | 25x7 | 25x8 | 25x9 |
|-----------------|-----------|-----------|-----------|
| % of completion | 40% | 70% | 100% |
| Revenue | 2,400,000 | 1,800,000 | 1,800,000 |
| Cost | 1,800,000 | 1,840,000 | 1,500,000 |
| Profit (Loss) | 600,000 | (40,000) | 300,000 |

| | General Journal | 25x7 | 25x8 | 25x9 |
|---------|---|-----------|-----------|-----------|
| Dec. 31 | <u>Dr.</u> WIP | 1,800,000 | 1,840,000 | 1,500,000 |
| | <u>Cr.</u> DM, DL, OH | 1,800,000 | 1,840,000 | 1,500,000 |
| | <u>Dr.</u> WIP | 600,000 | | 300,000 |
| | <u>Cr.</u> Cost | 1,800,000 | | 1,500,000 |
| | <u>Cr.</u> Revenue | 2,400,000 | | 1,800,000 |
| | <u>Dr.</u> Revenue | 2,400,000 | | 1,800,000 |
| | <u>Cr.</u> Cost | 1,800,000 | | 1,500,000 |
| | <u>Profit and Loss</u> | 600,000 | | 300,000 |
| | <u>Dr.</u> Cost | | 1,840,000 | |
| | <u>Cr.</u> Revenue | | 1,800,000 | |
| | <u>WIP</u> | | 40,000 | |
| | <u>Dr.</u> Revenue | | 1,800,000 | |
| | <u>Profit and Loss</u> | | 40,000 | |
| | <u>Cr.</u> Cost | | 1,840,000 | |
| | <u>Dr.</u> A/R | 2,000,000 | 2,500,000 | 1,500,000 |
| | <u>Cr.</u> ค่าก่อสร้างเรียกเก็บตามสัญญา | 2,000,000 | 2,500,000 | 1,500,000 |
| | <u>Dr.</u> Cash | 1,800,000 | 2,000,000 | 1,600,000 |
| | <u>Cr.</u> A/R | 1,800,000 | 2,000,000 | 1,600,000 |
| | <u>Dr.</u> ค่าก่อสร้างเรียกเก็บตามสัญญา | | | 6,000,000 |
| | <u>Cr.</u> WIP | | | 6,000,000 |

2)

| | 25x7 | 25x8 |
|-----------------|-----------|-------------|
| % of completion | 40% | 56% |
| Revenue | 2,400,000 | 960,000 |
| Cost | 1,800,000 | 2,060,000 |
| Profit (Loss) | 600,000 | (1,100,000) |

| | General Journal | 25x8 |
|---------|-----------------------|-----------|
| Dec. 31 | <u>Dr.</u> WIP | 2,060,000 |
| | <u>Cr.</u> DM, DL, OH | 2,060,000 |
| | <u>Dr.</u> Cost | 2,060,000 |
| | <u>Cr.</u> Revenue | 960,000 |
| | WIP | 1,100,000 |
| | <u>Dr.</u> Revenue | 960,000 |
| | Profit and Loss | 1,100,000 |
| | <u>Cr.</u> Cost | 2,060,000 |