

WYNNECK ELECTRONICS LTD.				
Astro Condensers				
Date	Explanation	Units	Unit Cost	Total Cost
Jan. 1	Beginning inventory	100	\$10	\$ 1,000
Apr. 15	Purchase	200	11	2,200
Aug. 24	Purchase	300	12	3,600
Nov. 27	Purchase	400	13	5,200
	Total	<u>1,000</u>		<u>\$12,000</u>

- in periodic systems, dates of each sale are ignored and the allocation is made **at the end of the period**

Beginning Inventory	+	Cost of Goods Purchased	=	Cost of Goods Available for Sale	-	Ending Inventory	=	Cost of Goods Sold
100 units	+	900 units	=	1,000 units	-	450 units	=	550 units
\$1,000	+	\$11,000	=	\$12,000	-	?	=	?

### Periodic System - First In, First Out

- cost of the oldest goods on hand is allocated to the cost of goods sold
- costs of the most recent purchases is assumed to remain in ending inventory

COST OF GOODS AVAILABLE FOR SALE					
Date	Explanation	Units	Unit Cost	Total Cost	
Jan. 1	Beginning inventory	100	\$10	\$ 1,000	
Apr. 15	Purchase	200	11	2,200	
Aug. 24	Purchase	300	12	3,600	
Nov. 27	Purchase	400	13	5,200	
	Total	<u>1,000</u>		<u>\$12,000</u>	

  

STEP 1: ENDING INVENTORY				STEP 2: COST OF GOODS SOLD	
Date	Units	Unit Cost	Unit Total		
Nov. 27	400	\$13	\$5,200	Cost of goods available for sale	\$12,000
Aug. 24	<u>50</u>	12	<u>600</u>	Less: Ending inventory	<u>5,800</u>
Total	450		<u>\$5,800</u>	Cost of goods sold	<u>\$ 6,200</u>

- ending inventory is determined through taking the unit cost of the most recent purchase -> working backward until all the units of ending inventory have been costed
- COGS = ending inventory - cost of goods available for sale

Date	Units	Unit Cost	Total Cost of Goods Sold
Jan. 1	100	\$10	\$1,000
Apr. 15	200	11	2,200
Aug. 24	250	12	3,000
<b>Total</b>	<b>550</b>		<b>\$6,200</b>

- results under FIFO in a periodic inventory system are the same as in a perpetual inventory system

### Periodic System - Average

- average calculation is done after each purchase in a perpetual inventory system
- average calculation is done at the end of the period in a periodic inventory system

Cost of Goods Available for Sale	÷	Units Available for Sale	=	Weighted Average Unit Cost
\$12,000	÷	1,000	=	\$12

COST OF GOODS AVAILABLE FOR SALE					
Date		Explanation	Units	Unit Cost	Total Cost
Jan. 1		Beginning inventory	100	\$10	\$ 1,000
Apr. 15		Purchase	200	11	2,200
Aug. 24		Purchase	300	12	3,600
Nov. 27		Purchase	400	13	5,200
		Total	<u>1,000</u>		<u>\$12,000</u>

  

STEP 1: ENDING INVENTORY			STEP 2: COST OF GOODS SOLD	
		\$12,000 ÷ 1,000 = \$12	Cost of goods available for sale	\$12,000
Units	Unit Cost	Total Cost	Less: Ending inventory	<u>5,400</u>
450	\$12	<u>\$5,400</u>	Cost of goods sold	<u>\$ 6,600</u>