Final Examination (Optional)

MASTERING INVENTORY

Instructions: Detach the Final Examination Answer Sheet on page 215 before beginning your final examination. Select the correct letter for the answer to each multiple choice question below, and then mark it on the Answer Sheet. Allow approximately 2½ hours.

1. BaCo opens its business in 20X2 and purchases merchandise on account for \$88,000. In 20X2, BaCo pays \$67,000 cash on the \$88,000 due, sales are \$145,000, and ending inventory is \$24,000. BaCo's gross profit for 20X2 is . . .

   a. \$102,000 b. \$81,000 c. \$78,000 d. \$57,000

2. GeCo begins 20X4 with merchandise costing \$69,000. 20X4 sales are \$233,000, purchases are \$198,000, and ending inventory is \$81,000. GeCo's 20X4 cost of goods sold is . . .

   a. \$245,000 b. \$221,000 c. \$210,000 d. \$186,000

3. On December 3, HuCo purchases merchandise for \$47,000 on account, F.O.B. destination. Freight charges are \$800. On December 26, HuCo pays the vendor \$14,000. On HuCo's December 31 balance sheet the accounts payable balance will be . . .

   a. \$33,800 b. \$47,000 c. \$47,800 d. \$33,000

4. RiCo uses the perpetual method for inventory and records purchases at gross. In 20X4, it has total merchandise purchases of \$324,000. It returns \$19,000 of the merchandise for full credit and receives \$7,000 in allowances from its vendors for defective merchandise and takes cash discounts of \$1,000. The net cost of RiCo's 20X4 merchandise purchases is . . .

   a. \$297,000 b. \$305,000 c. \$324,000 d. \$298,000

7. VeCo, which uses the perpetual method, records merchandise purchases at gross. On October 3, VeCo buys $42,000 of merchandise on account. Terms are 2/10, n/40. On October 9, VeCo returns goods that cost $10,000. On October 11, VeCo pays $31,360. What entry does VeCo record on October 11?

a.

Accounts Payable	31,360	
Cash		31,360

b.

Accounts Payable	32,000	
Cash		31,360
Purchase Discounts		640

c.

Accounts Payable	32,000	
Cash		31,360
Inventory		640

d.

Accounts Payable	31,360	
Purchase Discounts	640	
Cash		31,360
Inventory		640

8. MoCo begins operations in April, uses the perpetual method, and records merchandise purchases at net. MoCo makes two purchases on account. Terms are 1/15, n/45. On April 4, MoCo purchases merchandise for $3,000, which it pays for on April 16. On April 11, it makes a $9,000 purchase that it pays for on April 29, but there are no sales in April. On April 30, the balance in MoCo's inventory ledger account is . . .

a. $12,000 b. $11,970 c. $11,880 d. $11,910

9. XaCo begins business in June and uses the periodic method. Its June merchandise purchases are $195,000 on account, F.O.B. shipping point. Merchandise that cost $3,000 is returned for credit. Goods that XaCo sells for $11,000 and that cost $7,000 are returned to XaCo for cash refunds. On July 6, XaCo pays a $6,000 freight bill for its June purchases. The net cost of XaCo's June purchases is . . .

a. $205,000 b. $198,000 c. $192,000 d. $209,000

12. NuCo uses the periodic method and has the following account balances: Purchase Returns, $17,000; Beginning Inventory, $4,000; Purchases, $193,000; Freight-In, $11,000; and Accounts Payable, $23,000. What are NuCo's net purchases?

    a. $187,000 b. $191,000 c. $183,000 d. $210,000

13. WeCo has the following account balances: Purchase Returns, $19,000; Purchases, $812,000; Purchase Discounts, $8,000; Beginning Inventory, $21,000; Freight-In, $30,000; and Ending Inventory, $37,000. WeCo's cost of goods sold is . . .

    a. $769,000 b. $783,000 c. $815,000 d. $799,000

14. JiCo uses the periodic method. Its beginning inventory is $43,000, purchases are $321,000, F.O.B. destination, purchase returns are $17,000, and freight is $9,000. The balance in JiCo's ledger Purchases account is . . .

    a. $330,000 b. $317,000 c. $321,000 d. $304,000

15. VaCo, which uses the periodic method, is preparing its year-end journal entry to record cost of goods sold. It debits all of the following accounts *except* . . .

    a. Cost of Goods Sold
    b. Beginning Inventory
    c. Purchase Discounts
    d. None of the above

16. SeCo begins operations in 20X6 and uses the periodic method and weighted-average costing. SeCo has the following merchandise purchases during 20X6: 700 units in March @ $4; 1,100 units in July @ $6; and 2,200 units in October @ $7. A physical count of ending inventory finds 1,000 units. Calculate the cost of goods sold.

    a. $6,200 b. $7,000 c. $18,600 d. $24,000

17. FoCo uses the periodic method and weighted-average costing. The cost of the 2,500 units in FoCo's 20X3 ending inventory is $32,500. FoCo has the following merchandise purchases during 20X4: 1,700 units in May @ $14; 3,500 units in June @ $19; and 2,300 in October @ $21. Calculate the cost of the 1,200 units in ending inventory.

    a. $20,532 b. $16,632 c. $22,176 d. $25,200

22. JoCo uses the periodic method and FIFO costing. JoCo's December 31, 20X2 inventory consists of 400 units bought in November, 20X2 @ $11. During 20X3, JoCo made the following purchases: 1,800 units @ $14 in January; 2,200 units @ $17 in July; and 2,300 units @ $13 in October. The December 31, 20X3 inventory consists of 1,300 units. JoCo's 20X3 cost of goods sold is . . .

a. $80,000 b. $79,900 c. $80,800 d. $78,700

23. NiCo begins operations in 20X4, makes all sales on account, uses the perpetual method and FIFO costing, and shows the following data:

	Purchases	**Sales**
February 4	700 @ $ 7	
May 11		400 @ $15
July 14	1,100 @ $ 8	
September 19	3,000 @ $10	
December 21		1,500 @ $18

On December 21, what entries does NiCo record?

		Debit	Credit
a.	Accounts Receivable	27,000	
	Sales		27,000
	Cost of Goods Sold	15,000	
	Inventory		15,000
b.	Accounts Receivable	27,000	
	Sales		27,000
	Cost of Goods Sold	9,200	
	Inventory		9,200
c.	Accounts Receivable	27,000	
	Sales		27,000
	Cost of Goods Sold	11,900	
	Inventory		11,900
d.	Accounts Receivable	27,000	
	Sales		27,000
	Cost of Goods Sold	12,000	
	Inventory		12,000

26. MiCo opens for business in 20X3 and uses the periodic method and LIFO costing. On December 31, 20X3, there are 900 units of merchandise in MiCo's inventory @ $11. MiCo's 20X4 merchandise purchases are as follows:

February 4	1,200 @ $14
March 10	2,000 @ $15
July 7	3,300 @ $18
October 21	4,200 @ $20

If MiCo's December 31, 20X4 physical count shows 1,500 units in ending inventory, then ending inventory on MiCo's balance sheet will be . . .

a. $21,300 b. $30,000 c. $18,300 d. $21,900

27. CuCo, which begins business in 20X8, uses the periodic method and LIFO costing. CuCo's 20X8 merchandise purchases are as follows:

January 3	2,200 @ $5
April 16	1,800 @ $8
September 25	3,000 @ $6
December 4	1,100 @ $9

If CuCo's December 31, 20X8 ending inventory is 300 units, its 20X8 cost of goods sold is . . .

a. $51,800 b. $50,600 c. $49,900 d. $52,100

28. KoCo begins operations in 20X1 and uses the periodic method. In March, 20X1, KoCo buys 700 units @ $4; in July, it buys 2,700 units @ $6; and in November, it buys 1,600 units @ $8. Using LIFO, what is the cost of the 1,900 units in ending inventory?

a. $10,000 b. $15,200 c. $14,600 d. $7,600

33. Assume, instead, that LuCo's December 31, 20X4 ending inventory is 300 units; its December 31, 20X5 ending inventory is 800 units; and its December 31, 20X6 ending inventory is 600 units (which is lower than its 20X6 beginning inventory). What is LuCo's December 31, 20X6 ending inventory?

    a. $6,600 b. $4,800 c. $4,400 d. $3,600

34. When WeCo begins operations in 20X4, it chooses the periodic method and LIFO costing. Within a given year's LIFO layer, it uses weighted average costing. During 20X4, WeCo makes the following merchandise purchases:

May 30	400 @ $4
June 24	800 @ $5
October 11	900 @ $7
December 4	1,400 @ $6

    If the December 31, 20X4 ending inventory is 1,000 units, and the December 31, 20X5 ending inventory is 300 units, what is the 20X5 ending inventory?

    a. $1,200 b. $1,380 c. $1,740 d. $1,800

Use the following information for problems #35–40.

HuCo begins operations in 20X4, uses the periodic method and makes the following merchandise purchases:

20X4	Total units	Unit cost	Total cost
April	900	$ 6	$5,400
September	1,300	7	9,100
20X5			
March	1,100	$ 8	$8,800
November	500	10	5,000

42. Applying LCM, what floor or lower limit must TiCo use?

    a. $31 b. $35 c. $32 d. $29

43. Assume that the ceiling for each unit is $33 and the floor is $27. What per unit amount will TiCo use for ending inventory on its balance sheet?

    a. $32 b. $29 c. $33 d. $27

Use the following information for problems #44–46.

JaCo has the following inventory at year end:

	Cases on hand	Cost per case	Market per case
Plastic			
Cars and trucks	12	$80	$75
Action figures	18	22	28
Rubber			
Pool toys	20	$56	$62
Sports novelties	80	32	29
Zoo animals	110	17	15
Cardboard			
Board games	30	$34	$24
Jigsaw puzzles	50	21	23

44. What is JaCo's ending inventory applying LCM by item?

    a. $8,156 b. $8,484 c. $8,358 d. $8,436

45. What is JaCo's ending inventory applying LCM by group?

    a. $8,156 b. $8,484 c. $8,358 d. $8,436

Use the following information for problems #49–50.

On December 4, 20X8, DoCo enters into a contractual agreement to take delivery on January 25, 20X9 of 10,000 pounds of nuts at a cost of $2.20 per pound. On December 31, 20X8, DoCo finds that the market price of the nuts has declined to $1.90 per pound, and management decides that the decline is permanent.

49. DoCo should show these developments on its 20X8 financial statements as . . .

    a. a $22,000 liability
    b. a $19,000 liability
    c. a $3,000 liability
    d. no liability

50. When DoCo takes delivery on January 25, 20X9, the market price of nuts is $1.75 per pound. As a result, DoCo should . . .

    a. debit Inventory $17,500
    b. debit Inventory $22,000
    c. debit Loss $4,500
    d. debit Retained Earnings $3,000