

## Accounting II

### LAP 5 – Accounting for Inventories



Name \_\_\_\_\_

Period \_\_\_\_\_

Date Started \_\_\_\_\_

Date Completed \_\_\_\_\_

**DoDEA Standards**

- ◆ **PT1b** Use accounting procedures for planning, organizing, and allocating resources
- ◆ **PT1f** Be proficient in the use of technology
- ◆ **PT1h** Apply trouble shooting techniques and processes
- ◆ **PT3d** Use technology tools and resources for managing and communicating personal/professional information, e.g., finances, schedules, addresses, purchases, and correspondence
- ◆ **PT4** Use information-gathering techniques, analyze and evaluate information, and use information technology to assist in collecting, analyzing, organizing, and presenting information

**Objectives**

- ◆ Explain the importance of inventory valuation.
- ◆ Explain the difference between a perpetual and a periodic inventory system.
- ◆ Determine the cost of merchandise inventory using the specific identification; first-in, first-out; last-in, first-out; and weighted average cost methods.
- ◆ Assign a value to merchandise inventory using the lower-of-cost-or-market rule.
- ◆ Estimate the cost of the ending inventory using the retail and the gross profit methods.
- ◆ Explain how incorrect valuation of inventory affects financial statements.
- ◆ Analyze inventory turnover.
- ◆ Define the accounting terms introduced in this chapter.

**Resources** Accounting-Real World Applications & Connections – Advanced Course  
 Chapter Reviews and Working Papers (Accounting Workbook)  
 CD ROM – Electronic Learning Center Student Package

**Time Frame** 7 hours

#### Introduction

**Chapter 5 begins with a brief review of the Merchandise Inventory account, the importance of proper inventory management, and the periodic and perpetual inventory systems. You will next learn how to determine the cost of the ending inventory by four different methods. You will also learn how to estimate the value of the inventory using the gross profit and retail methods. A brief discussion analyzing inventory turnover is included at the end of the chapter.**

#### Assignments

**Where appropriate and possible, written answers must be in complete sentences and keyed. Turn in completed activities as directed by instructor. Problems marked with an asterisk (\*) can be completed in three different ways: manually, Peachtree for Windows (CD ROM), or Glencoe Integrated Accounting. Ask your instructor for directions. If you are going to complete the problems electronically, you must read the pages titled Computerized Accounting Using Peachtree in every chapter of the Working Papers.**

\_\_\_\_\_ Read, Accounting for Inventories, pp. 142-143

\_\_\_\_\_ Read Section 1, Determining the Quantity of Inventories, pp. 144-146

- \_\_\_\_\_ Complete the following exercises on p. 147: Thinking Critically, Analyzing Accounting and Problem 5-1 using appropriate working papers
- \_\_\_\_\_ Read Section 2, Assigning Costs to the Ending Inventory, pp. 148-151
- \_\_\_\_\_ Complete the following exercises on p. 152: Thinking Critically, Communicating Accounting and Problem 5-2 using appropriate working papers
- \_\_\_\_\_ Read Accounting Careers in Focus, p. 153
- \_\_\_\_\_ Read Section 3, Inventory Valuation, Reporting, and Analysis, pp. 154-159
- \_\_\_\_\_ Complete the following exercises on p. 160: Thinking Critically, Computing in the Business World and Problem 5-3 and 5-4 using appropriate working papers
- \_\_\_\_\_ Review the Chapter 5 Summary on p. 161
- \_\_\_\_\_ Complete Understanding Accounting Concepts and Procedures on p. 162
- \_\_\_\_\_ Complete Chapter 5 Review and Activities on p. 163 (see instructor)
- \_\_\_\_\_ Read Chapter 5 Computerized Accounting, p. 164
- \_\_\_\_\_ Complete MANUALLY End-of-Chapter problems on pp. 165-167, Problems 5-5, 5-6, 5-7, 5-8, 5-9 and 5-10 using appropriate working papers **OR**:
- \* \_\_\_\_\_ Read and complete ELECTRONICALLY in The Chapter Reviews and Working Papers pp. 183-184, Problems 5-5, 5-6, 5-7, 5-8, 5-9 and 5-10
- \_\_\_\_\_ Complete Chapter 5 Review on pp. 178-179 of the Working Papers
- \_\_\_\_\_ Complete Self-Test on pp. 189-190 of the Working Papers

\_\_\_\_\_ **Take Chapter 5 Test**

**Self Assessment - "I/I can . . . "**

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- \_\_\_\_\_ Estimate the cost of the ending inventory using the retail and the gross profit methods.
- \_\_\_\_\_ Explain how incorrect valuation of inventory affects financial statements.
- \_\_\_\_\_ Analyze inventory turnover.
- \_\_\_\_\_ Define the accounting terms introduced in this chapter