Reading 28: Inventories

Question #1 of 89

Question ID: 598959

Under U.S. GAAP, the LIFO reserve is a required financial statement disclosure:

A) for firms that use either the LIFO or FIFO inventory cost methods.

B) for all firms except those that use the specific identification cost method.

C) only for firms that use the LIFO inventory cost method.

Question #2 of 89

Question ID: 414473

Using the lower of cost or market principle under U.S. GAAP, if the market value of inventory falls below its historical cost, the minimum value at which the inventory can be reported in the financial statements is the:

A) net realizable value minus selling costs.

B) net realizable value.

C) market price minus selling costs minus normal profit margin.

Question #3 of 89

Question ID: 683853

Given the following inventory information about the Buckner Company:

- Year-end LIFO inventory of $6,500.
- Year-end LIFO reserve of $2,500.
- The previous year's LIFO reserve was $2,000.
- The current year's LIFO cost of goods sold (COGS) is $15,000.
- After-tax income is $1,600.

How much higher would the firm's retained earnings be on a FIFO basis if the firm's tax rate is 40%?

A) $1,800.

B) $1,500.

C) $2,100.

Question #4 of 89

Question ID: 598965

The *most-likely* effect of a write-down of inventory to net realizable value on a firm's quick ratio is:

A) an increase.

B) no change.

C) a decrease.

Question #5 of 89

Question ID: 414468

During periods of declining prices, which inventory method would result in the *highest* net income?

A) Average Cost.

B) FIFO.

C) LIFO.

Question #6 of 89

Question ID: 683859

For a company uses the LIFO inventory valuation method, a financial analyst can adjust the current ratio to the FIFO method by:

A) adding the LIFO reserve to current assets.

B) subtracting the LIFO reserve from current assets.

C) adding the LIFO reserve to current liabilities.

Question #7 of 89

Question ID: 598963

An analyst is comparing a company that uses the LIFO inventory cost method to companies that use FIFO for inventories. The analyst should adjust the LIFO firm's cost of goods sold by subtracting the:

A) change in the LIFO reserve.

B) LIFO reserve.

C) LIFO reserve, net of tax.

Question #8 of 89

Question ID: 434293

The exhibit below provides relevant data and financial statement information about Acme's inventory purchases and sales of inventory for the last year.

	Units	*Unit Price*
Beginning Inventory	699	$5.00
Purchases	710	$8.00
Sales	806	$15.00

The ending inventory value in dollars using the FIFO method is:

A) $4,582.

B) $4,824.

C) $6,160.

Question #9 of 89

Question ID: 598960

For a firm that uses the LIFO inventory cost method, the LIFO reserve is:

A) the difference between LIFO inventory and FIFO inventory.
B) a provision for taxes when FIFO is required for tax reporting.
C) the difference between LIFO cost of sales and FIFO cost of sales.

Question #10 of 89

Question ID: 414457

In a decreasing price environment, the first-in first-out (FIFO) inventory cost method results in:

A) higher inventory compared to last-in first-out.
B) lower cost of goods sold compared to last-in first-out.
C) lower gross profit compared to last-in first-out.

Question #11 of 89

Question ID: 765492

A company purchased inventory on January 1, 20X2, for $600,000. On December 31, 20X2, the inventory had a net realizable value (NRV) of $550,000 and a replacement cost of $525,000, which is also the NRV less the normal profit margin. What would be the carrying value of the inventory on the company's December 31, 20X2, balance sheet using:

	lower of cost or NRV?	lower of cost or market?
A)	$550,000	$525,000
B)	$525,000	$525,000
C)	$525,000	$550,000

Question #12 of 89

Question ID: 414461

Inventory, cost of sales, and gross profit can be different under periodic and perpetual inventory systems if a firm uses which inventory cost method?

A) LIFO or weighted average cost, but not FIFO.
B) FIFO or weighted average cost, but not LIFO.
C) LIFO or FIFO, but not weighted average cost.

Question #13 of 89

Question ID: 434287

Given the following data on a firm's inventory, purchases, and sales:

	Units	Unit Price
Beginning Inventory	559	$1.00
Purchases	785	$5.00
Sales	848	$15.00

Cost of goods sold using the weighted average cost method is *closest* to:

A) $2,000.
B) $2,830.
C) $3,990.

Question #14 of 89

Question ID: 434288

Given the following data on a firm's inventory, purchases, and sales:

	Units	Unit Price
Beginning Inventory	559	$1.00
Purchases	785	$5.00
Sales	848	$15.00

Cost of goods sold using the first in, first out (FIFO) method is *closest* to:

A) $2,830.
B) $2,004.
C) $8,730.

Question #15 of 89

Question ID: 414462

McKay Company uses a periodic inventory system and the FIFO inventory cost method. In the most recent period, McKay had beginning inventory of $4,200, purchases of $1,400, cost of sales $1,300, and ending inventory of $4,300. If McKay had used a perpetual inventory system, its ending inventory would have been:

A) $4,300.
B) $4,200.
C) $4,400.

Question #16 of 89

Question ID: 456299

Information related to Bledsoe Corporation's inventory, as of December 31, 20x7, follows:

Estimated selling price	$3,500,000
Estimated disposal costs	50,000
Estimated completion costs	300,000
Original FIFO cost	3,200,000
Replacement cost	3,300,000

Using the appropriate valuation method, what adjustment is necessary to accurately report Bledsoe's inventory at the end of 20x7, and will this adjustment affect Bledsoe's quick ratio?

	Adjustment	Quick ratio
A)	$100,000 write-up	No
B)	$50,000 write-down	Yes
C)	$50,000 write-down	No

Question #17 of 89

Question ID: 683862

From an analyst's point of view, which accounting methods are preferable for income statements and balance sheets?

A) First in, first out (FIFO) for both income statements and balance sheets.

B) Last in, first out (LIFO) for income statements and first in, first out (FIFO) for the balance sheet.

C) Last in, first out (LIFO) for the balance sheet and first in, first out (FIFO) for the income statement.

Question #18 of 89

Question ID: 683860

Selected financial data from Krandall, Inc.'s balance sheet for the year ended December 31 was as follows (in $):

Cash	$1,100,000	Accounts Payable	$400,000
Accounts Receivable	300,000	Deferred Tax Liability	700,000
Inventory	2,400,000	Long-term Debt	8,200,000
Property, Plant & Equip.	8,000,000	Common Stock	1,000,000
Total Assets	11,800,000	Retained Earnings	1,500,000
		Total Liabilities & Equity	11,800,000

LIFO Reserve at Jan. 1	600,000
LIFO Reserve at Dec. 31	900,000

Krandall uses the last in, first out (LIFO) inventory cost flow assumption. The tax rate is 40%. If Krandall used first in, first out (FIFO) instead of LIFO and paid any additional tax due, its assets-to-equity ratio would be *closest* to:

A) 4.06

B) 3.73

C) 4.18

Question #19 of 89

Question ID: 683855

MJ Inc. reported cost of goods sold of $80,000 for the year under the LIFO inventory valuation method. MJ had a beginning LIFO reserve of $8,000 and an ending LIFO reserve of $11,000. Cost of goods sold under the FIFO inventory valuation method is:

A) $91,000.

B) $83,000.

C) $77,000.

Question #20 of 89

Question ID: 598968

Which of the following circumstances is *most likely* indicative of an increase in a company's future earnings?

A) Finished goods inventory increasing faster than sales.

B) Finished goods inventory increasing faster than work-in-process inventory.

C) Work-in-process inventory increasing faster than finished goods inventory.

Question #21 of 89

Question ID: 467386

	Units	*Unit Price*
Beginning Inventory	709	$2.00
Purchases	556	$6.00
Sales	959	$13.00

What is gross profit using the FIFO method and LIFO method?

	FIFO	LIFO
A)	$8,325	$8,862
B)	$8,862	$9,549
C)	$9,549	$8,325

Question #22 of 89

Question ID: 496904

Cushinson Corp. had a beginning inventory of $9,500 (250 units) and made three inventory purchases during the fiscal year:

	Purchases	Units Total Cost
3/1/X6	400	$14,800
7/1/X6	450	$14,850
9/1/X6	550	$15,950

The company began operations on Jan. 1, 20X6. Costing uses the LIFO method of determining cost of goods sold. First year sales were 1,300 units. The *most likely* effects of using LIFO inventory costing as compared to FIFO in Cushinson's 20X6 financial statements are:

A) lower net income; lower working capital.
B) higher net income; lower working capital.
C) higher net income; higher working capital.

Question #23 of 89

Question ID: 414456

	Units	*Unit Price*
Beginning Inventory	709	$2.00
Purchases	556	$6.00
Sales	959	$13.00
Sales Expenses	$2,649 per annum	

Ignoring taxes, what is profit using the weighted average method?

A) $5,676.00.
B) $6,027.56.
C) $6,213.98.

Question #24 of 89

Question ID: 683861

Selected information from Jenner, Inc.'s financial statements for the year ended December 31 included the following (in $):

Cash	$200,000	Accounts Payable	$300,000
Accounts Receivable	300,000	Deferred Tax Liability	600,000
Inventory	1,500,000	Long-term Debt	8,100,000
Property, Plant & Equip.	11,000,000	Common Stock	2,200,000
Total Assets	13,000,000	Retained Earnings	1,800,000
		Total Liabilities & Equity	$13,000,000

LIFO Reserve at Jan. 1	400,000
LIFO Reserve at Dec. 31	600,000
Net Income (after 40% tax rate)	800,000

Jenner uses the last in, first out (LIFO) inventory cost flow assumption. If Jenner had used first out (FIFO), return on total equity would:

A) increase to 23.0%.

B) decrease to 18.3%.

C) increase to 21.1%.

Question #25 of 89

Question ID: 414445

Under the first-in-first-out (FIFO) inventory valuation method, ending inventory reflects the costs of the:

A) specific units available for sale.

B) most recent purchases.

C) earliest purchases.

Question #26 of 89

Question ID: 414454

Given the following data and assuming a periodic inventory system, what is the ending inventory value using the FIFO method?

Purchases	*Sales*
50 units at $50/unit	25 units at $55/unit
60 units at $45/unit	30 units at $50/unit
70 units at $40/unit	45 units at $45/unit

A) $3,250.

B) $3,200.

C) $3,600.

Question #27 of 89

Question ID: 496418

Costs that are included in the balance sheet value of inventory *most likely* include:

A) Administrative overhead.

B) Selling costs.

C) Manufacturing overhead.

Question #28 of 89

Question ID: 414483

United Corporation and Intrepid Company are similar firms operating in the same industry. United follows U.S. Generally Accepted Accounting Principles and Intrepid follows International Financial Reporting Standards. At the end of last year, Intrepid had a higher inventory turnover ratio than United. Are the following plausible explanations for the difference?

Explanation #1 - United accounts for its inventory using the first-in, first-out method and Intrepid uses the last-in, first-out method.

Explanation #2 - United recognized an upward valuation of inventory that had been previously written down. Intrepid does not revalue its inventory upward.

	Explanation #1	Explanation #2
A)	No	No
B)	Yes	No
C)	No	Yes

Question #29 of 89

Question ID: 598966

The *most likely* effect of a write-down of inventory to net realizable on a firm's total asset turnover is:

A) an increase.
B) a decrease.
C) no change.

Question #30 of 89

Question ID: 414477

If a firm pledges inventories as collateral for a loan, the firm must:

A) offset the pledged inventories against current liabilities.
B) disclose the carrying value of the pledged inventories.
C) create a contra asset account in the amount of the pledged inventories.

Question #31 of 89

Question ID: 683856

Moore Ltd. uses the LIFO inventory cost flow assumption. Its cost of goods sold in 20X8 was $800. A footnote in its financial statements reads: "Using FIFO, inventories would have been $70 higher in 20X8 and $80 higher in 20X7." Moore's COGS if FIFO inventory costing were used in 20X8 is *closest* to:

A) $790.
B) $730.
C) $810.

Question #32 of 89

Question ID: 414441

Diabelli Inc. is a manufacturing company that is operating at normal capacity levels. Which of the following inventory costs is *most likely* to be recognized as an expense on Diabelli's financial statements when the inventory is sold?

A) Selling cost.

B) Administrative overhead.

C) Allocation of fixed production overhead.

Question #33 of 89

Question ID: 683852

Brigham Corporation uses the last-in, first-out (LIFO) method of accounting for inventory. For the year 20X5, the following is provided:

- Cost of goods sold (COGS): $24,000
- Beginning inventory: $6,000
- Ending inventory: $7,500
- The notes accompanying the financial statements indicate that the LIFO reserve at the beginning of the year was $2,250 and at the end of the year was $6,000

If Brigham had used first-in, first-out (FIFO), cost of goods sold for 20X5 would be:

A) $20,250.

B) $3,750.

C) $29,250.

Question #34 of 89

Question ID: 414443

A U.S. company uses the LIFO method to value its inventory for their income tax return. For its financial statements prepared for shareholders, the company may:

A) use any other inventory method under generally accepted accounting principles (GAAP).

B) use the FIFO method, but must disclose a LIFO reserve.

C) only use the LIFO method.

Question #35 of 89

Question ID: 683843

In periods of decreasing prices, which of the following statements is *most accurate*? Compared to FIFO, LIFO results in:

A) lower COGS, lower taxes and higher net income.

B) higher inventory balances and higher working capital.

C) higher inventory balances and lower working capital.

Question #36 of 89

Question ID: 414460

A company that uses the LIFO inventory cost method records the following purchases and sales for an accounting period:

Beginning inventory, July 1: $5,000, 10 units
July 8: Purchase of $2,600 (5 units)
July 12: Sale of $2,200 (4 units)
July 15: Purchase of $2,800 (5 units)
July 21: Sale of $1,680 (3 units)

The company's cost of goods sold using a perpetual inventory system is:

A) $3,500.
B) $3,780.
C) $3,760.

Question #37 of 89

Question ID: 598956

Arlington, Inc. uses the first in, first out (FIFO) inventory cost flow assumption. Beginning inventory and purchases of refrigerated containers for Arlington were as follows:

	Units	*Unit Cost*	*Total Cost*
Beginning Inventory	20	$10,000	$200,000
Purchases, April	10	12,000	120,000
Purchases, July	10	12,500	125,000
Purchases, October	20	15,000	300,000

In November, Arlington sold 35 refrigerated containers to Johnson Company. What is the cost of goods sold assigned to the 35 sold containers?

A) $485,000.
B) $434,583.
C) $382,500.

Question #38 of 89

Question ID: 414479

Under which financial reporting standards is a firm required to discuss the circumstances when reversing an inventory writedown?

A) IFRS, but not U.S. GAAP.
B) Both IFRS and U.S. GAAP.
C) Neither IFRS nor U.S. GAAP.

Question #39 of 89

Question ID: 414470

If prices and inventory quantities are increasing, the last-in first-out (LIFO) inventory cost method results in:

A) lower cost of goods sold compared to first-in first-out.

B) lower gross profit compared to first-in first-out.

C) higher inventory compared to first-in first-out.

Question #40 of 89

Question ID: 414447

Given the following data what is the ending inventory value using the LIFO method, assuming a periodic inventory system?

Purchases	*Sales*
50 units at $50/unit	25 units at $55/unit
60 units at $45/unit	30 units at $50/unit
70 units at $40/unit	45 units at $45/unit

A) $3,250.

B) $3,200.

C) $3,850.

Question #41 of 89

Question ID: 683858

Tim Rogers is senior equity analyst with White Capital LLP. While analyzing the inventory disclosures of Drako Toys Inc., a toy manufacturer based in Cleveland, Ohio, Rogers concludes that Drako is expected to see above-average sales growth over the next three years. Which of the following disclosures would *most likely* support Rogers's conclusion?

A) Finished goods inventory growing faster than sales in the last two years.

B) Increase in finished goods inventory and corresponding decline in raw-materials and work-in-progress inventory over the last two years.

C) Increase in raw-materials and work-in-progress inventory and corresponding decline in finished goods inventory over the last two years.

Question #42 of 89

Question ID: 414442

Goldberg Inc. produces and sells electronic equipment. Which of the following inventory costs is *most likely* to be recognized as an expense on Goldberg's financial statements in the period incurred?

A) Freight costs on inputs.

B) Selling cost.

C) Conversion cost.

Question #43 of 89

Question ID: 550541

A firm determines that inventory of manufactured goods with a cost of □10 million has a net realizable value of □9 million and writes down its carrying value to this amount. One period later, the firm determines that the net realizable value of this inventory has increased to □11 million. Under IFRS, the carrying value of this inventory:

A) must remain valued at □9 million.

B) may be revalued up to □10 million.

C) may be revalued up to □11 million.

Question #44 of 89

Question ID: 414482

When analyzing profitability ratios, which inventory accounting method is preferred?

A) Weighted average.

B) First in, first out (FIFO).

C) Last in, first out (LIFO).

Question #45 of 89

Question ID: 598964

The effect of an inventory writedown on a firm's return on assets (ROA) is *most accurately* described as:

A) higher ROA in the current period and lower ROA in later periods.

B) lower ROA in the current period and higher ROA in later periods.

C) lower ROA in the current period and no effect on ROA in later periods.

Question #46 of 89

Question ID: 434294

The exhibit below provides relevant data and financial statement information about Acme's inventory purchases and sales of inventory for the last year.

	Units	*Unit Price*
Beginning Inventory	699	$5.00
Purchases	710	$8.00
Sales	806	$15.00

The cost of goods sold using the first in, first out (FIFO) method is:

A) $4,133.

B) $5,248.

C) $4,351.

Question #47 of 89

Question ID: 434290

Given the following data for a firm:

	Units	*Unit Price*
Beginning Inventory	709	$2.00
Purchases	556	$6.00
Sales	959	$13.00
SGA Expenses	$2,649 per annum	

Cost of goods sold using the average cost method and using the first in first out (FIFO) method are *closest to*:

	Average cost	FIFO
A)	$3,600	$3,400
B)	$4,150	$3,400
C)	$3,600	$2,900

Question #48 of 89

Question ID: 683851

An analyst gathers the following information about a firm:

- Last in, first out (LIFO) inventory = $10,000
- Beginning LIFO reserve = $2,500
- Ending LIFO reserve = $4,000
- LIFO cost of goods sold = $15,000
- LIFO net income = $1,500
- Tax rate is 40%

To convert the financial statements to a FIFO basis, the amount the analyst should add to the stockholders' equity is *closest* to:

A) $4,000.

B) $2,400.

C) $2,800.

Question #49 of 89

Question ID: 434292

The exhibit below provides relevant data and financial statement information about Acme's inventory purchases and sales of inventory for the last year.

	Units	*Unit Price*

Beginning Inventory	699	$5.00
Purchases	710	$8.00
Sales	806	$15.00

Cost of goods sold using the weighted average cost method is closest to:

A) $4,350.

B) $5,250.

C) $4,980.

Question #50 of 89

Question ID: 765491

Barber Inc., which uses LIFO inventory accounting under U.S. GAAP, sells DVD recorders. On October 14, it purchased a large number of recorders at a cost of $90 each. Due to an oversupply of recorders remaining in the marketplace due to lower than anticipated demand during the Christmas season, the selling price at December 31 is $80 and the replacement cost is $73. The normal profit margin is 5 percent of the selling price and the selling costs are $2 per recorder. What is the value of the recorders on December 31?

A) $74.

B) $73.

C) $78.

Question #51 of 89

Question ID: 414469

During periods of decreasing prices, a firm using a periodic inventory system will report higher gross profit if its inventory cost assumption is:

A) FIFO because during periods of decreasing prices, COGS will be lower, resulting in a higher gross profit.

B) FIFO because during periods of decreasing prices, COGS will be higher, resulting in a higher gross profit.

C) LIFO because during periods of decreasing prices, COGS will be lower, resulting in a higher gross profit.

Question #52 of 89

Question ID: 683849

In a period of rising prices, LIFO liquidation results in:

A) higher earnings.

B) lower earnings.

C) higher inventory.

Question #53 of 89

Question ID: 434295

The exhibit below provides relevant data and financial statement information about Acme's inventory purchases and sales of inventory for the last year.

	Units	*Unit Price*
Beginning Inventory	699	$5.00
Purchases	710	$8.00
Sales	806	$15.00

The value of the ending inventory level in dollars using the last-in-first-out (LIFO) method is:

A) $4,824.

B) $6,160.

C) $3,015.

Question #54 of 89

Question ID: 683845

In an inflationary environment, a company's:

A) Cost of goods sold will be lower if it uses LIFO than if it uses FIFO.

B) net income will be larger if it uses LIFO than if it uses FIFO.

C) assets will be lower if it uses LIFO than if it uses FIFO.

Question #55 of 89

Question ID: 414474

Judah Inc. prepares its financial statements under IFRS. On December 31, 20X8, Judah has inventory of manufactured goods with a cost of $720,000. The estimated selling cost of that inventory is $50,000 and its market value is $740,000. By January 31, 20X9, none of the inventory has been sold but its market value has increased to $810,000. Selling costs remain the same. Which of the following entries is *most likely* permissible under IFRS?

A) Write down inventory by $30,000 on December 31, 20X8 and write up inventory by $30,000 on January 31, 20X9.

B) Make no adjustments to the valuation of inventory on either date.

C) Write down inventory by $30,000 on December 31, 20X8 and write up inventory by $70,000 on January 31, 20X9.

Question #56 of 89

Question ID: 414471

If prices are decreasing, the *best* estimates of inventory and cost of goods sold from an analyst's point of view are provided by:

A) FIFO inventory and LIFO cost of goods sold.

B) FIFO inventory and FIFO cost of goods sold.

C) LIFO inventory and FIFO cost of goods sold.

Question #57 of 89

Question ID: 598962

An analyst is comparing a company that uses the LIFO inventory cost method to companies that use FIFO for inventories. The analyst should adjust the LIFO firm's inventories by adding the:

A) change in the LIFO reserve.

B) LIFO reserve.

C) LIFO reserve, net of tax.

Question #58 of 89

Question ID: 414480

Which of the following ratio levels would suggest that a company is holding obsolete inventory?

A) Low inventory value compared to cost of goods sold.

B) Low number of days in inventory.

C) Low inventory turnover ratio.

Question #59 of 89

Question ID: 414467

Assuming inventory levels remain constant during the year and prices have been stable over time, COGS would be:

A) the same for both LIFO and FIFO.

B) higher under LIFO than FIFO or average cost.

C) higher under the average cost than LIFO or FIFO.

Question #60 of 89

Question ID: 683844

In periods of rising prices and stable or increasing inventory quantities, using the LIFO method for inventory accounting compared to FIFO will result in:

A) higher cost of sales, lower income, higher cash flows, and lower inventory.

B) lower cost of sales, higher income, identical cash flows, and lower inventory.

C) higher cost of sales, lower income, lower cash flows, and lower inventory.

Question #61 of 89

Question ID: 683848

LIFO liquidation may result when:

A) purchases are more than goods sold.

B) cost of goods sold is less than the available inventory.

C) purchases are less than goods sold.

Question #62 of 89

Question ID: 414458

If prices are increasing, the weighted average cost method *most likely* results in inventory values that are higher than the inventory values using:

A) last-in first-out (LIFO).

B) first-in first-out (FIFO).

C) specific identification.

Question #63 of 89

Question ID: 414459

Lincoln Corporation and Continental Incorporated are identical companies except that Lincoln complies with U.S. Generally Accepted Accounting Principles and Continental complies with International Financial Reporting Standards. Assuming an inflationary environment and stable inventory quantities, which permissible cost flow assumption will minimize each firm's pre-tax financial income?

	Lincoln Corporation	Continental Incorporated
A)	Last-in, first-out	Last-in, first-out
B)	First-in, first-out	First-in, first-out
C)	Last-in, first-out	Average cost

Question #64 of 89

Question ID: 414453

Given the following information and assuming beginning inventory was zero and a periodic inventory system was used, what is the gross profit at the end of the period using the FIFO, LIFO, and average cost methods?

Purchases	*Sales*
20 units at $50	15 units at $60
35 units at $40	35 units at $45
85 units at $30	85 units at $35

	FIFO	LIFO	Cost Average
A)	$677	$650	$677
B)	$650	$750	$990

C) $650 $750 $677

Question #65 of 89

Question ID: 414463

During periods of rising prices, which of the following is *most likely* to occur?

A) LIFO COGS < FIFO COGS, therefore LIFO net income < FIFO net income.

B) LIFO COGS > FIFO COGS, therefore LIFO net income > FIFO net income.

C) LIFO COGS > FIFO COGS, therefore LIFO net income < FIFO net income.

Question #66 of 89

Question ID: 598961

In an increasing price environment, an analyst who wants to consider tax effects when converting a LIFO firm's balance sheet to a FIFO basis is *most likely* to decrease the LIFO firm's:

A) retained earnings.

B) cash.

C) inventories.

Question #67 of 89

Question ID: 598957

In an increasing price environment, what effect does a LIFO liquidation have on a firm's gross profit?

A) Increase.

B) Decrease.

C) No effect.

Question #68 of 89

Question ID: 434289

Given the following data on a firm's inventory, purchases, and sales:

	Units	Unit Price
Beginning Inventory	559	$1.00
Purchases	785	$5.00
Sales	848	$15.00

Ending inventory using the first in, first out (FIFO) method is:

A) $2,480.

B) $2,356.

C) $3,988.

Question #69 of 89

Question ID: 414446

JME purchased 400 units of inventory that cost $4.00 each. Later the firm purchased an additional 500 units that cost $5.00 each. JME sold 700 units of inventory for $7.00 each. If JME uses a first in, first out (FIFO) cost flow method, the amount of gross profit appearing on the income statement is:

A) $1,800.

B) $2,400.

C) $3,100.

Question #70 of 89

Question ID: 434291

Given the following data for a firm:

	Units	*Unit Price*
Beginning Inventory	709	$2.00
Purchases	556	$6.00
Sales	959	$13.00
SGA Expenses	$2,649 per annum	

What is the ending inventory level in dollars using the FIFO method?

A) $1,744.

B) $3,604.

C) $1,836.

Question #71 of 89

Question ID: 414444

In an environment of increasing prices, the last-in first-out (LIFO) inventory cost method results in:

A) inventory near replacement cost and cost of sales below current cost.

B) cost of sales near current cost and inventory below replacement cost.

C) cost of sales below current cost and inventory above replacement cost.

Question #72 of 89

Question ID: 683846

If all else holds constant in periods of rising prices and inventory levels:

A) LIFO firms have higher gross profit margins than FIFO firms.

B) FIFO firms have higher debt to equity ratios than LIFO firms.

C) FIFO firms will have greater stockholder's equity than LIFO firms.

Question #73 of 89

Question ID: 485775

A firm booked revenue of $2.25 million during 20X6 on unit sales of 150. The replacement cost per unit of inventory is currently $9,300.

Inventory purchases:

Date	Quantity	Unit Cost
Begin inventory	50 units	$7,000
4/1/X6	80 units	7,500
7/1/X6	30 units	8,100
10/1/X6	20 units	8,700

Assuming the FIFO inventory costing method and a perpetual inventory system are used, the firm's gross profit and ending inventory are closest to:

	Gross profit	Ending inventory
A)	$1,112,000	$279,000
B)	$1,138,000	$255,000
C)	$1,138,000	$279,000

Question #74 of 89

Question ID: 414452

Given the following data and assuming a periodic inventory system, what is the ending inventory using the average cost method?

Purchases	*Sales*
40 units at $60/unit	25 units at $65/unit
50 units at $55/unit	30 units at $60/unit
60 units at $45/unit	40 units at $50/unit

A) $3,141.

B) $2,878.

C) $2,933.

Question #75 of 89

Question ID: 683847

First in, first out (FIFO) inventory equals:

A) LIFO inventory + LIFO reserve.

B) LIFO cost of goods sold − change in LIFO reserve.

C) change in LIFO reserve − ending LIFO reserve.

Question #76 of 89

Question ID: 414465

For balance sheet purposes, inventories based on:

A) FIFO are preferable to those based on LIFO, as they more closely reflect current costs.

B) LIFO are preferable to those based on average cost, as they more closely reflect the current costs.

C) LIFO are preferable to those based on FIFO, as they more closely reflect the current costs.

Question #77 of 89

Question ID: 695547

A U.S. GAAP firm writes down inventory to net realizable value. In the period of the writedown, what is the *most likely* effect on cost of goods sold?

A) No effect.

B) Increase.

C) Decrease.

Question #78 of 89

Question ID: 598958

For a firm that uses the LIFO inventory cost method, a LIFO liquidation occurs if:

A) inventory quantity decreases during a reporting period.

B) sales decrease during a reporting period.

C) the firm changes to a different inventory cost method.

Question #79 of 89

Question ID: 434296

If a company chooses to write down inventory, which ratio is *most likely* to improve?

A) Total asset turnover.

B) Operating profit margin.

C) Debt-to-equity ratio.

Question #80 of 89

Question ID: 683850

The year-end financial statements for a firm using LIFO inventory accounting show an inventory level of $5,000, cost of goods sold of $16,000, and inventory purchases of $14,500. If the LIFO reserve is $4,000 at year-end and was $1,500 at the beginning of the year, what would the cost of goods sold have been using FIFO inventory accounting?

A) $12,000.

B) $18,500.

C) $13,500.

Question #81 of 89

Question ID: 414466

During periods of rising prices and stable or growing inventories, the most informative inventory accounting method for income statement purposes is:

A) LIFO because it allocates current prices to cost of good sold (COGS) and provides a better measure of current income.

B) weighted average because it allocates average prices to cost of good sold (COGS) and provides a better measure of current income.

C) FIFO because it allocates historical prices to cost of good sold (COGS) and provides a better measure of current income.

Question #82 of 89

Question ID: 414478

A U.S. GAAP reporting firm changes its inventory cost flow assumption from average cost to LIFO. The firm must apply this change:

A) prospectively, with LIFO layers calculated from past purchases and sales.

B) retrospectively, because it is a change in accounting principle.

C) prospectively, with the carrying value as the first LIFO layer.

Question #83 of 89

Question ID: 414484

Other things equal, compared to using the first-in-first-out (FIFO) inventory cost method, using the last-in-first-out (LIFO) method in a rising price environment will result in a higher:

A) gross profit margin.

B) quick ratio.

C) inventory turnover ratio.

Question #84 of 89

Question ID: 414481

The inventory turnover ratio and the number of days in inventory are *least likely* used to evaluate the:

A) age of a firm's inventory.

B) effectiveness of a firm's inventory management.

C) stability of a firm's inventory levels.

Question #85 of 89

Question ID: 414476

Which of the following statements about inventory presentation and disclosures is *most* accurate?

A) Changing from FIFO to LIFO is a change in accounting principle that must be applied retrospectively.

B) An analyst must determine which inventory cost method was used by examining the firm's current and historical inventory values.

C) IFRS permits reversals of inventory writedowns but the firm must disclose the circumstances of the reversal in its financial statements.

Question #86 of 89

Question ID: 683857

Due to declining prices, Steffen Inc. has a LIFO reserve of -$20. Its income tax rate is 35%. If an analyst is converting Steffen's financial statements to a FIFO basis, which of the following adjustments is *most appropriate*?

A) Increase assets by $20.

B) Increase shareholders' equity by $13.

C) Increase cash by $7.

Question #87 of 89

Question ID: 414451

Given the following inventory data about a firm:

- Beginning inventory 20 units at $50/unit
- Purchased 10 units at $45/unit
- Purchased 35 units at $55/unit
- Purchased 20 units at $65/unit
- Sold 60 units at $80/unit

What is the inventory value at the end of the period using LIFO?

A) $1,575.

B) $1,225.

C) $3,450.

Question #88 of 89

Question ID: 414448

Given the following inventory data about a firm:

- Beginning inventory 20 units at $50/unit
- Purchased 10 units at $45/unit
- Purchased 35 units at $55/unit
- Purchased 20 units at $65/unit
- Sold 60 units at $80/unit

What is the inventory value at the end of the period using first in, first out (FIFO)?

A) $3,475.

B) $3,100.

C) $1,575.

Question #89 of 89

Question ID: 683854

Orchard Supply Company uses LIFO inventory valuation. Orchard had a cost of goods sold of $1 million for the most recent year. Inventory was $500,000 at the beginning of the year and $600,000 at the end of the year. Orchard Supply's LIFO reserve was $100,000 at the beginning of the year and $200,000 at the end of the year. What is Orchard Supply's cost of goods sold using FIFO inventory valuation?

A) $800,000.

B) $1.1 million.

C) $900,000.