

Prob. 7–3A
1. First-In, First-Out Method

Model	Quantity	Unit Cost	Total Cost
BB900	18	\$225	\$ 4,050
	12	222	2,664
C911	2	70	140
	2	65	130
L100	4	317	1,268
N201	2	535	1,070
	2	530	1,060
Q73	6	542	3,252
	1	549	549
Z120	2	232	464
ZZRF	12	78	936
Total			<u><u>\$15,583</u></u>

2. Last-In, First-Out Method

Model	Quantity	Unit Cost	Total Cost
BB900	27	\$213	\$ 5,751
	3	215	645
C911	4	60	240
L100	4	305	1,220
N201	2	520	1,040
	2	527	1,054
Q73	6	520	3,120
	1	531	531
Z120	2	222	444
ZZRF	8	70	560
	4	72	288
Total			<u><u>\$14,893</u></u>

Prob. 7–3A Concluded
3. Average Cost Method

Model	Quantity	Unit Cost*	Total Cost
BB900	30	\$218	\$ 6,540
C911	4	63	252
L100	4	311	1,244
N201	4	528	2,112
Q73	7	534	3,738
Z120	2	227	454
ZZRF	12	74	888
Total			<u>\$15,228</u>

*Computations of unit costs:

$$\text{BB900: } \$218 = [(27 \times \$213) + (21 \times \$215) + (18 \times \$222) + (18 \times \$225)] \div (27 + 21 + 18 + 18)$$

$$\text{C911: } \$63 = [(10 \times \$60) + (6 \times \$65) + (2 \times \$65) + (2 \times \$70)] \div (10 + 6 + 2 + 2)$$

$$\text{L100: } \$311 = [(6 \times \$305) + (3 \times \$310) + (3 \times \$316) + (4 \times \$317)] \div (6 + 3 + 3 + 4)$$

$$\text{N201: } \$528 = [(2 \times \$520) + (2 \times \$527) + (2 \times \$530) + (2 \times \$535)] \div (2 + 2 + 2 + 2)$$

$$\text{Q73: } \$534 = [(6 \times \$520) + (8 \times \$531) + (4 \times \$549) + (6 \times \$542)] \div (6 + 8 + 4 + 6)$$

$$\text{Z120: } \$227 = [(4 \times \$222) + (4 \times \$232)] \div (4 + 4)$$

$$\text{ZZRF: } \$74 = [(8 \times \$70) + (12 \times \$72) + (16 \times \$74) + (14 \times \$78)] \div (8 + 12 + 16 + 14)$$

4. a. During periods of rising prices, the LIFO method will result in a lesser amount of inventory, a greater amount of the cost of merchandise sold, and a lesser amount of net income than the other two methods. For Artic Appliances, the LIFO method would be preferred for the current year, since it would result in a lesser amount of income tax.
- b. During periods of declining prices, the FIFO method will result in a lesser amount of net income and would be preferred for income tax purposes.