INVENTORY AND ADJUSTMENTS

Harry Potter Company had a beginning inventory of 200 units at a cost of $12 per unit on August 1. During the month, the following purchases and sales were made.

Purchases			Sales		
August	4	250 units at $13	August	7	150 units
August	15	350 units at $15	August	11	100 units
August	28	200 units at $14	August	17	300 units
			August	24	200 units

Griffin uses a periodic inventory system.

Instructions

Determine ending inventory and cost of goods sold under (a) average cost, (b) FIFO, and (c) LIFO.

(a) Average cost:

Ending inventory = $____________; cost of goods sold = $_____________.

(b) FIFO:

Ending inventory = $_____________; cost of goods sold = $____________.

(c) LIFO:

Ending inventory = $_____________; cost of goods sold = $____________.

ADJUSTING ENTRIES

The trial balance of the Black Diamond Company shows the following balances for selected accounts on November 30, 2005:

Prepaid Insurance	$ 5,000	Unearned Revenue	$ 1,800
Equipment	40,000	Notes Payable	24,000
Accumulated Depreciation	8,800	Interest Payable	400

Instructions
Using the additional information given below, prepare the appropriate monthly adjusting entries at November 30. Show computations.

A. Revenue earned for services rendered to customers, but not yet billed, totaled $5,000 on November 30.

B. The note payable is a 6%, 1-year note issued October 1, 2005.

C. The equipment was purchased on January 2, 2004, for $40,000. It has an estimated life of 6 years and an estimated salvage value of $4,000. Riley uses the straight-line depreciation method.

D. An insurance policy was acquired on June 30, 2005; the premium paid for 2 years was $6,000.

E. Riley received $1,800 of revenue in advance from a customer on November 1, 2005. Two-thirds of this amount was earned by November 30.

Answers:

1)
- a. $3,425 , $10,275
- b. $3,550 , $ 10,150
- c. $ 3,050, $ 10,650

2)

A.	Accounts Rec.	5,000	
	Service Revenue		5,000
B.	Interest expense	120	
	Interest payable		120
C.	Depreciation expense, equipment	500	
	Accumulated depreciation, equipment		500
D.	Insurance expense	250	
	Prepaid insurance		250
E.	Unearned revenue	1200	
	Revenue		1200