

1. Award: 1.79 points

TB TF Qu. 05-02 (Static) Goods on consignment are goods...

Goods on consignment are goods sent by the owner, called the consignor, to another party, the consignee. The consignee sells goods for the owner.

- True
 False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-02 (Static) Goods on consignment are goods...

Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

2. Award: 1.79 points

TB TF Qu. 05-04 (Static) If the shipping terms are FOB

If the shipping terms are FOB destination, then goods are included in the buyer's inventory after arrival at the destination.

- True
 False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 05-04 (Static) If the shipping terms are FOB

Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

3. Award: 1.79 points

TB TF Qu. 05-05 (Static) Net realizable value for damaged...

Net realizable value for damaged, obsolete (out-of-date), or deteriorated goods is sales price minus the cost of making the sale.

- True
 False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 05-05 (Static) Net realizable value for damaged...

Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

4. Award: 1.79 points

TB TF Qu. 05-06 (Static) The cost of an inventory item includes...

The cost of an inventory item includes its invoice cost minus any discount, plus any other costs, such as, shipping, storage, import duties, and insurance.

- True
 False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 05-06 (Static) The cost of an inventory item includes...

Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

5. Award: 1.79 points

TB TF Qu. 05-09 (Static) The physical count of inventory...

The physical count of inventory is used to adjust the Inventory account balance to the actual inventory available.

- True
 False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 05-09 (Static) The physical count of inventory...

Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

6. Award: 1.79 points

TB TF Qu. 05-14 (Static) Whether purchase costs are rising...

Whether purchase costs are rising or falling, FIFO always will yield the highest gross profit and net income.

- True
→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-14 (Static) Whether purchase costs are rising...

Learning Objective: 05-A1 Analyze the effects of inventory methods for both financial and tax reporting.

7. Award: 1.79 points

TB TF Qu. 05-16 (Static) In a period of rising purchase costs...

In a period of rising purchase costs, LIFO yields the lowest gross profit and net income, which provides a temporary tax advantage.

- True
 False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-16 (Static) In a period of rising purchase costs...

Learning Objective: 05-A1 Analyze the effects of inventory methods for both financial and tax reporting.

8. Award: 1.79 points

TB TF Qu. 05-17 (Static) When purchase costs...

When purchase costs regularly rise, FIFO reports the lowest cost of goods sold, which yields the highest gross profit and net income.

- True
 False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-17 (Static) When purchase costs...

Learning Objective: 05-A1 Analyze the effects of inventory methods for both financial and tax reporting.

9. Award: 1.79 points

TB TF Qu. 05-21 (Static) According to IRS guidelines, companies...

According to IRS guidelines, companies may use FIFO for financial reporting and LIFO for tax reporting.

- True
→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-21 (Static) According to IRS guidelines, companies...

Learning Objective: 05-A1 Analyze the effects of inventory methods for both financial and tax reporting.

10. Award: 1.79 points

TB TF Qu. 05-25 (Static) An understatement of the ending inventory...

An understatement of the ending inventory balance will overstate cost of goods sold and understate net income.

- True
 False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-25 (Static) An understatement of the ending inventory...

Learning Objective: 05-A2 Analyze the effects of inventory errors on current and future financial statements.

11. Award: 1.79 points

TB TF Qu. 05-28 (Static) An overstatement of ending inventory will...

An overstatement of ending inventory will cause an overstatement of assets and an understatement of equity on the balance sheet.

- True
→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-28 (Static) An overstatement of ending inventory will...

Learning Objective: 05-A2 Analyze the effects of inventory errors on current and future financial statements.

12. Award: 1.79 points

TB TF Qu. 05-32 (Static) The simple rule for inventory turnover...

The simple rule for inventory turnover is that a low ratio is preferable.

- True
→ False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 05-32 (Static) The simple rule for inventory turnover...

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

13. Award: 1.79 points

TB TF Qu. 05-34 (Static) A company's cost of goods...

A company's cost of goods sold was \$15,300 and its average inventory was \$4,500. Its inventory turnover equals 3.4.

- True
 False

Inventory Turnover = Cost of Goods Sold/Average Merchandise Inventory
Inventory Turnover = \$15,300/\$4,500 = 3.4

References

True / False

Difficulty: 3 Hard

TB TF Qu. 05-34 (Static) A company's cost of goods...

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

14. Award: 1.79 points

TB TF Qu. 05-35 (Static) Underwood had cost of goods sold...

Underwood had cost of goods sold of \$8 million and its ending inventory was \$2 million. Therefore, its days' sales in inventory equals 25 days.

- True
→ False

Days' Sales in Inventory = Ending Inventory/Cost of Goods Sold × 365
Days' Sales in Inventory = \$2/\$8 × 365 = 91 days

References

True / False

Difficulty: 3 Hard

TB TF Qu. 05-35 (Static) Underwood had cost of goods sold...

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

15. Award: 1.79 points

TB TF Qu. 05-39 (Static) A company unknowingly understated ending inventory...

A company unknowingly understated ending inventory in year 1. In year 2, there will be an understatement of cost of goods sold and an overstatement of net income.

- True
 False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-39 (Static) A company unknowingly understated ending inventory...

Learning Objective: 05-A2 Analyze the effects of inventory errors on current and future financial statements.

16. Award: 1.79 points

TB TF Qu. 05-41 (Static) The cost flow method chosen must...

The cost flow method chosen must match the actual physical flow of the goods.

- True
→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-41 (Static) The cost flow method chosen must...

Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

17. Award: 1.79 points

TB TF Qu. 05-42 (Static) The assignment of costs to the cost of...

The assignment of costs to the cost of goods sold and to ending inventory using FIFO is the same for both the perpetual and periodic inventory systems.

- True
 False

References

True / False

Difficulty: 1 Easy

Learning Objective: 05-P3 Appendix 5A-Compute inventory in a periodic system using the methods of specific identification, FIFO, LIFO, and weighted average.

TB TF Qu. 05-42 (Static) The assignment of costs to the cost of...

Learning Objective: 05-P1 Compute inventory in a perpetual system using the methods of specific identification, FIFO, LIFO, and weighted average.

18. Award: 1.79 points

TB TF Qu. 05-45 (Static) In applying the lower of cost or market...

In applying the lower of cost or market method to inventory valuation, market is defined as the current replacement cost for LIFO.

- True
 False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 05-45 (Static) In applying the lower of cost or market...

Learning Objective: 05-P2 Compute the lower of cost or market amount of inventory.

19. Award: 1.79 points

TB TF Qu. 05-46 (Static) In applying the lower of cost or market...

In applying the lower of cost or market method to inventory valuation, market is defined as the current selling price.

- True
→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-46 (Static) In applying the lower of cost or market...

Learning Objective: 05-P2 Compute the lower of cost or market amount of inventory.

20. Award: 1.79 points

TB TF Qu. 05-47 (Static) A company has inventory with a selling...

A company has inventory with a selling price of \$451,000, a market value of \$223,000, and a cost of \$241,000. According to the lower of cost or market, the inventory should be written down to \$223,000.

- True
 False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-47 (Static) A company has inventory with a selling...

Learning Objective: 05-P2 Compute the lower of cost or market amount of inventory.

21. Award: 1.79 points

TB TF Qu. 05-50 (Static) Inventory is reported on the balance sheet...

Inventory is reported on the balance sheet at the market value of replacing inventory when market value is lower than cost.

- True
 False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-50 (Static) Inventory is reported on the balance sheet...

Learning Objective: 05-P2 Compute the lower of cost or market amount of inventory.

22. Award: 1.79 points

TB TF Qu. 05-51 (Static) A company's total cost...

A company's total cost of inventory was \$329,000 and its net realizable value is \$307,000. Applying lower cost or market, the amount reported should be \$329,000.

- True
→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-51 (Static) A company's total cost...

Learning Objective: 05-P2 Compute the lower of cost or market amount of inventory.

23. Award: 1.79 points

TB TF Qu. 05-52 (Static) A company's cost of inventory...

A company's cost of inventory was \$219,500. Due to increased demand, the market value of its inventory increased to \$221,700. This company should adjust the inventory to its market value.

- True
→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-52 (Static) A company's cost of inventory...

Learning Objective: 05-P2 Compute the lower of cost or market amount of inventory.

24. Award: 1.79 points

TB TF Qu. 05-53 (Static) When LIFO is used with the periodic...

When LIFO is used with the periodic inventory system, cost of goods sold is assigned costs from the most recent purchases at the point of each sale, rather than from the most recent purchases for the period.

- True
→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-53 (Static) When LIFO is used with the periodic...

Learning Objective: 05-P3 Appendix 5A- Compute inventory in a periodic system using the methods of specific identification, FIFO, LIFO, and weighted average.

25. Award: 1.79 points

TB TF Qu. 05-54 (Static) The retail inventory method estimates the...

The retail inventory method estimates the cost of ending inventory by applying the gross profit ratio to net sales.

- True
→ False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 05-54 (Static) The retail inventory method estimates the...

Learning Objective: 05-P4 Appendix 5B-Apply both the retail inventory and gross profit methods to estimate inventory.

26. Award: 1.79 points

TB TF Qu. 05-55 (Static) The reasoning behind the retail inventory...

The reasoning behind the retail inventory method is that if we can get a good estimate of the cost-to-retail ratio, we can multiply ending inventory at retail by this ratio to estimate ending inventory at cost.

- True
 False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 05-55 (Static) The reasoning behind the retail inventory...

Learning Objective: 05-P4 Appendix 5B-Apply both the retail inventory and gross profit methods to estimate inventory.

27. Award: 1.79 points

TB TF Qu. 05-56 (Static) The gross profit method...

The gross profit method estimates the cost of ending inventory by applying the gross profit ratio to net sales (at retail).

- True
 False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 05-56 (Static) The gross profit method...

Learning Objective: 05-P4 Appendix 5B-Apply both the retail inventory and gross profit methods to estimate inventory.

28. Award: 1.79 points

TB TF Qu. 05-58 (Static) To avoid the time-consuming process of...

To avoid the time-consuming process of taking a physical inventory, companies always use the gross profit method to estimate ending inventory.

- True
→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 05-58 (Static) To avoid the time-consuming process of...

Learning Objective: 05-P4 Appendix 5B-Apply both the retail inventory and gross profit methods to estimate inventory.

29. Award: 1.79 points

TB TF Qu. 05-59 (Algo) Using the retail inventory...

Using the retail inventory method, if the cost-to-retail ratio is 75% and ending inventory at retail is \$157,000, then estimated ending inventory at cost is \$219,143.

- True
→ False

$$\$157,000 \times 0.75 = \$117,750$$

References

True / False

Difficulty: 3 Hard

TB TF Qu. 05-59 (Algo) Using the retail inventory...

Learning Objective: 05-P4 Appendix 5B-Apply both the retail inventory and gross profit methods to estimate inventory.

30. Award: 1.79 points

TB MC Qu. 05-60 (Static) Damaged, obsolete...

Damaged, obsolete (out-of-date), and/or deteriorated goods that can be sold:

- Are never counted as inventory.
- Are included in inventory at their full cost.
- Are included in inventory at their net realizable value.
- Should be disposed of immediately.
- Are assigned a value of zero.

References

Multiple Choice

Difficulty: 1 Easy

TB MC Qu. 05-60 (Static) Damaged, obsolete... Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

31. Award: 1.79 points

TB MC Qu. 05-61 (Static) Merchandise inventory includes:

Merchandise inventory includes:

- All goods that a company owns and holds for sale.
- All goods in transit.
- All goods on consignment.
- Only damaged goods.
- Only non-damaged goods.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-61 (Static) Merchandise inventory includes: Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

32. Award: 1.79 points

TB MC Qu. 05-62 (Static) Goods in transit are included in a...

Goods in transit are included in a purchaser's inventory:

- At any time during transit.
- When the goods are shipped FOB shipping point.
- When the supplier is responsible for freight charges.
- If the goods are shipped FOB destination.
- After the half-way point between the buyer and seller.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-62 (Static) Goods in transit are included in a... Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

33. Award: 1.79 points

TB MC Qu. 05-63 (Static) Goods on consignment are:

Goods on consignment are:

- Goods sent by the owner to the consignee who sells the goods for the owner.
- Reported in the consignee's books as inventory.
- Goods shipped to the consignor who sells the goods for the owner.
- Not reported in the consignor's inventory since they do not have possession of the inventory.
- Always paid for by the consignee when they take possession.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-63 (Static) Goods on consignment are: Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

34. Award: 1.79 points

TB MC Qu. 05-64 (Static) Regardless of the inventory costing...

Regardless of the inventory costing system used, cost of goods available for sale must be allocated at the end of the period between:

- beginning inventory and net purchases during the period.
- ending inventory and beginning inventory.
- net purchases during the period and ending inventory.
- ending inventory and cost of goods sold.
- beginning inventory and cost of goods sold.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-64 (Static) Regardless of the inventory costing... Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

35. Award: 1.79 points

TB MC Qu. 05-65 (Algo) On December 31 of the current...

On December 31 of the current year, Plunkett Company reported an ending inventory balance of \$214,000. The following additional information is also available:

- Plunkett sold and shipped goods costing \$37,800 to Savannah Enterprises on December 28 with shipping terms of FOB shipping point. The goods were *not* included in the ending inventory amount of \$214,000.
- Plunkett purchased goods costing \$43,800 on December 29. The goods were shipped FOB destination and were received by Plunkett on January 2 of the following year. The shipment was a rush order that was supposed to arrive by December 31. These goods were included in the ending inventory balance of \$214,000.
- Plunkett's ending inventory balance of \$214,000 included \$14,800 of goods being held on consignment from Carole Company. (Plunkett Company is the consignee.)
- Plunkett's ending inventory balance of \$214,000 did not include goods costing \$94,800 that were shipped to Plunkett on December 27 with shipping terms of FOB destination and were still in transit at year-end.

Based on the above information, the amount that Plunkett should report in ending inventory on December 31 is:

- \$193,200
- \$208,000
- \$199,200
- \$170,200
- \$155,400

Start with beginning inventory of \$214,000. The information in the first bullet point was handled correctly. No adjustment is needed for that merchandise. For the second bullet point, the \$43,800 of goods should not have been included in ending inventory since the goods were shipped FOB destination. Subtract \$43,800. For the third bullet point, ending inventory should not include goods held on consignment from another company. Subtract \$14,800. The information in the fourth bullet point was handled correctly. No adjustment is needed. $\$214,000 - \$43,800 - \$14,800 = \$155,400$.

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-65 (Algo) On December 31 of the current... Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

36. Award: 1.79 points

TB MC Qu. 05-66 (Algo) Bedrock Company reported...

Bedrock Company reported a December 31 ending inventory balance of \$411,500. The following additional information is also available:

- The ending inventory balance of \$411,500 included \$73,100 of consigned inventory for which Bedrock was the consignor.
- The ending inventory balance of \$411,500 incorrectly included \$24,200 of office supplies that were stored in the warehouse and were to be used by the company's supervisors and managers during the coming year.

Based on this information, the correct balance for ending inventory on December 31 is:

- \$411,500
- \$338,300
- \$314,100
- \$303,000
- \$387,300

Start with beginning inventory of \$411,500. The information in the first bullet point was handled correctly since inventory should include consigned goods for which the subject company is the consignor. No adjustment. With respect to the second bullet point, inventory should not include office supplies held for use. Subtract \$24,200. Ending inventory should be $\$411,500 - \$24,200 = \$387,300$.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-66 (Algo) Bedrock Company reported...

Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

37. Award: 1.79 points

TB MC Qu. 05-69 (Static) Which of the following is...

Which of the following is *not* an internal control that should be applied when a business takes a physical count of inventory?

- Prenumbered inventory tickets.
- A manager confirms that all inventories are ticketed only once.
- Counters confirm the existence, amounts, and condition of inventory.
- Second counts by a different counter.
- Counters of inventory should be those who are responsible for the inventory.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-69 (Static) Which of the following is...

Learning Objective: 05-C1 Identify the items and costs of merchandise inventory.

38. Award: 1.79 points

TB MC Qu. 05-74 (Static) The inventory costing method...

The inventory costing method that results in the lowest taxable income in a period of rising costs is:

- LIFO method.
- FIFO method.
- Weighted-average cost method.
- Specific identification method.
- Gross profit method.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-74 (Static) The inventory costing method...

Learning Objective: 05-A1 Analyze the effects of inventory methods for both financial and tax reporting.

39. Award: 1.79 points

TB MC Qu. 05-75 (Static) The LIFO conformity rule:

The LIFO conformity rule:

- Requires that when LIFO is used for tax reporting, it must also be used for financial reporting.
- Requires a company to use one method of inventory valuation exclusively.
- Requires that all companies in the same industry use the same accounting methods of inventory valuation.
- Is also called the taxation principle.
- Is only applicable to the automotive industry.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-75 (Static) The LIFO conformity rule:

Learning Objective: 05-A1 Analyze the effects of inventory methods for both financial and tax reporting.

40. Award: 1.79 points

TB MC Qu. 05-76 (Static) The selected inventory costing method...

The selected inventory costing method impacts:

- Gross profit and net income.
- Sales.
- The physical flow of goods.
- The quantity of inventory items on hand.
- The shipping terms to the buyer.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-76 (Static) The selected inventory costing method...

Learning Objective: 05-A1 Analyze the effects of inventory methods for both financial and tax reporting.

41. Award: 1.79 points

TB MC Qu. 05-79 (Static) Which of the following...

Which of the following is *not* affected by an error related to ending inventory?

- Cost of goods sold.
- Gross profit.
- Sales.
- Current assets.
- Net income.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-79 (Static) Which of the following...

Learning Objective: 05-A2 Analyze the effects of inventory errors on current and future financial statements.

42. Award: 1.79 points

TB MC Qu. 05-82 (Static) The understatement of the beginning...

The understatement of the beginning inventory balance causes:

- Cost of goods sold to be understated and net income to be understated.
 Cost of goods sold to be understated and net income to be overstated.
 Cost of goods sold to be overstated and net income to be overstated.
 Cost of goods sold to be overstated and net income to be understated.
 Cost of goods sold to be overstated and net income to be correct.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-82 (Static) The understatement of the beginning...

Learning Objective: 05-A2 Analyze the effects of inventory errors on current and future financial statements.

43. Award: 1.79 points

TB MC Qu. 05-83 (Algo) Lucia Company reported cost...

Lucia Company reported cost of goods sold for Year 1 and Year 2 as follows:

	Year 1	Year 2
Beginning inventory	\$ 127,000	\$ 131,400
Cost of goods purchased	251,400	282,000
Cost of goods available for sale	378,400	413,400
Ending inventory	131,400	136,400
Cost of goods sold	\$ 247,000	\$ 277,000

Lucia Company made two errors: 1) ending inventory at the end of Year 1 was understated by \$16,400 and 2) ending inventory at the end of Year 2 was overstated by \$7,400. Given this information, the correct cost of goods sold figure for Year 2 would be:

- \$269,600
 \$256,000
 \$284,400
 \$300,800
 \$293,400

If ending inventory for Year 1 was reported at \$131,400 but was understated by \$16,400, the correct ending inventory figure for Year 1 was \$147,800. That amount becomes the beginning inventory for Year 2. Add to that amount the \$282,000 of cost of goods purchased in Year 2 and you get cost of goods available for sale of \$429,800. Finally, the reported ending inventory figure for Year 2 of \$136,400 was overstated by \$7,400. Thus, the correct ending inventory figure for Year 2 was \$129,000. Subtracting ending inventory of \$129,000 from cost of goods available for sale of \$429,800 yields cost of goods sold of \$300,800.

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-83 (Algo) Lucia Company reported cost...

Learning Objective: 05-A2 Analyze the effects of inventory errors on current and future financial statements.

44. Award: 1.79 points

TB MC Qu. 05-84 (Algo) Ace Company reported the following...

Ace Company reported the following information for the current year:

Sales	\$ 411,000
Cost of goods sold:	
Beginning inventory	\$ 133,500
Cost of goods purchased	274,000
Cost of goods available for sale	<u>407,500</u>
Ending inventory	145,000
Cost of goods sold	<u>262,500</u>
Gross profit	<u>\$ 148,500</u>

The beginning inventory balance is correct. However, the ending inventory figure was overstated by \$21,000. Given this information, the correct gross profit would be:

- \$127,500.
- \$148,500.
- \$169,500.
- \$140,500.
- \$112,500.

If ending inventory of \$145,000 was overstated by \$21,000, the correct amount of ending inventory was \$124,000. As a result, cost of goods sold was not \$262,500 as reported, but rather \$283,500. Thus, gross profit was \$127,500 (Sales of \$411,000 – Cost of Goods Sold of \$283,500).

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-84 (Algo) Ace Company reported the following...

Learning Objective: 05-A2 Analyze the effects of inventory errors on current and future financial statements.

45. Award: 1.79 points

TB MC Qu. 05-85 (Static) An understatement of ending inventory...

An understatement of ending inventory will cause

- An overstatement of assets and equity on the balance sheet.
- An understatement of assets and equity on the balance sheet.
- An overstatement of assets and an understatement of equity on the balance sheet.
- An understatement of assets and an overstatement of equity on the balance sheet.
- No effect on the balance sheet.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-85 (Static) An understatement of ending inventory...

Learning Objective: 05-A2 Analyze the effects of inventory errors on current and future financial statements.

46. Award: 1.79 points

TB MC Qu. 05-86 (Static) The inventory turnover ratio:

The inventory turnover ratio:

- Is used to analyze collectability.
- Is used to measure solvency.
- Tells how many times a company turns over (sells) its inventory in a period.
- Reveals how many days a company can sell inventory if no new merchandise is purchased.
- Calculation depends on the company's inventory valuation method.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-86 (Static) The inventory turnover ratio:

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

47. Award: 1.79 points

TB MC Qu. 05-87 (Static) Days' sales in inventory:

Days' sales in inventory:

- Shows the buffer against out-of-stock inventory.
- Focuses on average inventory rather than ending inventory.
- Is used to measure solvency.
- Is calculated by dividing cost of goods sold by ending inventory.
- Is a substitute for the acid-test ratio.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-87 (Static) Days' sales in inventory:

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

48. Award: 1.79 points

TB MC Qu. 05-88 (Static) The inventory turnover ratio is calculated as:

The inventory turnover ratio is calculated as:

- Cost of goods sold divided by average inventory.
- Sales divided by cost of goods sold.
- Ending inventory divided by cost of goods sold.
- Cost of goods sold divided by ending inventory.
- Cost of goods sold divided by ending inventory times 365.

References

Multiple Choice

Difficulty: 1 Easy

TB MC Qu. 05-88 (Static) The inventory turnover ratio is calculated as:

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

49. Award: 1.79 points

TB MC Qu. 05-89 (Static) Days' sales in inventory...

Days' sales in inventory is calculated as:

- Ending inventory divided by cost of goods sold.
- Cost of goods sold divided by ending inventory.
- Ending inventory divided by cost of goods sold times 365.
- Cost of goods sold divided by ending inventory times 365.
- Ending inventory times cost of goods sold.

References

Multiple Choice

Difficulty: 1 Easy

TB MC Qu. 05-89 (Static) Days' sales in inventory...

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

50. Award: 1.79 points

TB MC Qu. 05-90 (Algo) Giorgio had cost of goods sold...

Giorgio had cost of goods sold of \$9,577 million, ending inventory of \$2,245 million, and average inventory of \$2,121 million. Its inventory turnover equals:

- 0.23.
- 80.8 days.
- 4.28.
- 85.6 days.
- 4.52.

Inventory Turnover = Cost of Goods Sold/Average Inventory
Inventory Turnover = \$9,577/\$2,121 = 4.52 times

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-90 (Algo) Giorgio had cost of goods sold...

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

51. Award: 1.79 points

TB MC Qu. 05-92 (Algo) Beckenworth had cost of goods...

Beckenworth had cost of goods sold of \$9,521 million, ending inventory of \$2,189 million, and average inventory of \$1,975 million. Its days' sales in inventory equals: (Use 365 days a year.)

- 75.7 days.
- 7.9.
- 83.9 days.
- 8.2.
- 0.2.

Days' Sales in Inventory = Ending Inventory/Cost of Goods Sold × 365
Days' Sales in Inventory = \$2,189/\$9,521 × 365 = 83.9 days

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-92 (Algo) Beckenworth had cost of goods...

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

52. Award: 1.79 points

TB MC Qu. 05-93 (Static) Ulrich had cost of goods sold...

Ulrich had cost of goods sold of \$6.7 million, ending inventory of \$2.2 million, and average inventory of \$1.9 million. Its days' sales in inventory equals (round your final answer to the nearest whole number):

- 120.
- 104.
- 60.
- 35.
- 180.

Days' Sales in Inventory = Ending Inventory/Cost of Goods Sold × 365
 Days' Sales in Inventory = \$2.2/\$6.7 × 365 = 120 days

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-93 (Static) Ulrich had cost of goods sold...

Learning Objective: 05-A3 Assess inventory management using both inventory turnover and days' sales in inventory.

53. Award: 1.79 points

TB MC Qu. 05-97 (Algo) A company's inventory records indicate the following...

A company's inventory records indicate the following data for the month of April:

Date	Activities	Units Acquired at Cost	Units Sold at Retail
April 1	Beginning inventory	860 units @ \$36 = \$30,960	
April 7	Purchase	740 units @ \$40 = \$29,600	
April 11	Sale		1,320 units @ \$110
April 16	Purchase	660 units @ \$44 = \$29,040	
April 22	Sale		400 units @ \$110
April 29	Purchase	640 units @ \$50 = \$32,000	

The company uses a periodic inventory system. Determine the cost assigned to ending inventory using the specific identification method. Ending inventory consists of 410 units from the April 29 purchase, 360 units from the April 16 purchase, 370 units from the April 7 purchase, and 100 units from beginning inventory.
 rev: 06_02_2021_QC_CS-265849

- \$66,640.
- \$99,660.
- \$54,740.
- \$87,600.
- \$62,480.

Ending Inventory:

Date	Goods Available for Sale	Cost of Goods Sold	Ending Inventory
April 1	860 units @ \$36 = \$30,960	760 units @ \$36 = \$27,360	100 units @ \$36 = \$3,600
April 7	740 units @ \$40 = \$29,600	370 units @ \$40 = \$14,800	370 units @ \$40 = \$14,800
April 16	660 units @ \$44 = \$29,040	300 units @ \$44 = \$13,200	360 units @ \$44 = \$15,840
April 29	640 units @ \$50 = \$32,000	230 units @ \$50 = \$11,500	410 units @ \$50 = \$20,500
Total		<u>\$66,860</u>	<u>\$54,740</u>

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-97 (Algo) A company's inventory records indicate the following...

Learning Objective: 05-P3 Appendix 5A- Compute inventory in a periodic system using the methods of specific identification, FIFO, LIFO, and weighted average.

54. Award: 1.79 points

TB MC Qu. 05-99 (Static) A company's inventory records indicate the following...

A company's inventory records indicate the following data for the month of April:

Date	Activities	Units Acquired at Cost	Units Sold at Retail
April 1	Beginning inventory	700 units @ \$36 = \$25,200	
April 7	Purchase	580 units @ \$40 = \$23,200	
April 11	Sale		1,000 units @ \$110
April 16	Purchase	500 units @ \$44 = \$22,000	
April 22	Sale		400 units @ \$110
April 29	Purchase	480 units @ \$50 = \$24,000	

If the company uses the first-in, first-out (FIFO) method and the *periodic* inventory system, what would be the cost of the ending inventory?

- \$38,480.
 \$33,300.
 \$35,922.
 \$40,720.
 \$53,680.

Ending Inventory:

Date	Goods Available for Sale	Cost of Goods Sold	Ending Inventory
April 1	700 units @ \$36 = \$25,200	700 units @ \$36 = \$ 25,200	
April 7	580 units @ \$40 = \$23,200	580 units @ \$40 = \$ 23,200	
April 16	500 units @ \$44 = \$22,000	120 units @ \$44 = \$ 5,280	380 units @ \$44 = \$ 16,720
April 29	480 units @ \$50 = \$24,000		480 units @ \$50 = \$ 24,000
Total		\$ 53,680	\$ 40,720

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-99 (Static) A company's inventory records indicate the following...

Learning Objective: 05-P3 Appendix 5A- Compute inventory in a periodic system using the methods of specific identification, FIFO, LIFO, and weighted average.

55. Award: 1.79 points

TB MC Qu. 05-100 (Algo) A company's inventory records indicate the following...

A company's inventory records indicate the following data for the month of January:

Date	Activities	Units Acquired at Cost	Units Sold at Retail
January 1	Beginning inventory	530 units @ \$18 = \$9,540	
January 8	Purchase	510 units @ \$20 = \$10,200	
January 12	Sale		940 units @ \$70
January 17	Purchase	570 units @ \$22 = \$12,540	
January 23	Sale		385 units @ \$70
January 28	Purchase	630 units @ \$24 = \$15,120	

If the company uses the LIFO *perpetual* inventory system, what would be the cost of the ending inventory?
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- \$8,470.
 \$20,990.
 \$19,790.
 \$25,300.
 \$26,410.

Ending Inventory:

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
January 1			530 units @ \$18 = \$ 9,540
January 8	510 units @ \$20		530 units @ \$18/510 units @ \$20 = \$ 19,740
January 12		430 units @ \$18/510 units @ \$20 = \$ 17,940	100 units @ \$18 = \$ 1,800
January 17	570 units @ \$22		100 units @ \$18/570 units @ \$22 = \$ 14,340
January 23		385 units @ \$22 = \$ 8,470	100 units @ \$18/185 units @ \$22 = \$ 5,870
January 28	630 units @ \$24		100 units @ \$18/185 units @ \$22/630 units @ \$24 = \$ 20,990

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-100 (Algo) A company's inventory records indicate the following...

Learning Objective: 05-P1 Compute inventory in a perpetual system using the methods of specific identification, FIFO, LIFO, and weighted average.

56. Award: 1.79 points

TB MC Qu. 05-101 (Static) A company's inventory records indicate the following...

A company's inventory records indicate the following data for the month of January:

Date	Activities	Units Acquired at Cost	Units Sold at Retail
January 1	Beginning inventory	360 units @ \$18 = \$6,480	
January 8	Purchase	340 units @ \$20 = \$6,800	
January 12	Sale		600 units @ \$70
January 17	Purchase	400 units @ \$22 = \$8,800	
January 23	Sale		300 units @ \$70
January 28	Purchase	460 units @ \$24 = \$11,040	

If the company uses the LIFO periodic inventory system, what would be the cost of the ending inventory?

- \$6,600.
- \$15,040.
- \$12,480.
- \$18,080.
- \$20,640.

Ending Inventory:

Date	Goods Available for Sale	Cost of Goods Sold	Ending Inventory
January 1	360 units @ \$18 = \$ 6,480		360 units @ \$18 = \$ 6,480
January 8	340 units @ \$20 = \$ 6,800	40 units @ \$20 = \$ 800	300 units @ \$20 = \$ 6,000
January 17	400 units @ \$22 = \$ 8,800	400 units @ \$22 = \$ 8,800	
January 28	460 units @ \$24 = \$ 11,040	460 units @ \$24 = \$ 11,040	
		<u>\$ 20,640</u>	<u>\$ 12,480</u>

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-101 (Static) A company's inventory records indicate the following...

Learning Objective: 05-P3 Appendix 5A- Compute inventory in a periodic system using the methods of specific identification, FIFO, LIFO, and weighted average.

57. Award: 1.79 points

TB MC Qu. 05-102 (Static) A company's inventory records indicate the following...

A company's inventory records indicate the following data for the month of April:

Date	Activities	Units Acquired at Cost	Units Sold at Retail
April 1	Beginning inventory	700 units @ \$36 = \$25,200	
April 7	Purchase	580 units @ \$40 = \$23,200	
April 11	Sale		1,000 units @ \$110
April 16	Purchase	500 units @ \$44 = \$22,000	
April 22	Sale		400 units @ \$110
April 29	Purchase	480 units @ \$50 = \$24,000	

If the company uses the first-in, first-out (FIFO) method and the perpetual inventory system, what is the value of cost of goods sold?
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- \$40,720.
- \$57,600.
- \$36,800.
- \$53,680.
- \$16,480.

Cost of goods sold:

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
April 1			700 units @ \$36 = \$ 25,200
April 7	580 units @ \$40		700 units @ \$36/580 units @ \$40 = \$ 48,400
April 11		700 units @ \$36/300 units @ \$40 = \$ 37,200	280 units @ \$40 = \$ 11,200
April 16	500 units @ \$44		280 units @ \$40/500 units @ \$44 = \$ 33,200
April 22		280 units @ \$40/120 units @ \$44 = \$ 16,480	380 units @ \$44 = \$ 16,720
April 29	240 units @ \$25		380 units @ \$44/480 units @ \$50 = \$ 40,720
Total		<u>\$ 53,680</u>	<u>\$ 40,720</u>

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-102 (Static) A company's inventory records indicate the following...

Learning Objective: 05-P1 Compute inventory in a perpetual system using the methods of specific identification, FIFO, LIFO, and weighted average.

58. Award: 1.79 points

TB MC Qu. 05-107 (Static) A company had the following...

A company had the following purchases and sales during its first month of operations:

Date	Activities	Units Acquired at Cost	Units Sold at Retail
January 1	Purchase	10 units @ \$4.00 = \$40.00	
January 9	Sales		6 units @ \$12.00
January 17	Purchase	8 units @ \$5.50 = \$44.00	
January 27	Sales		7 units @ \$12.00

Using the *Periodic* weighted average method, what is the value of cost of goods sold? (Round weighted average cost per unit to 2 decimal places.)

- \$84.00.
 \$60.71.
 \$23.35.
 \$46.70.
 \$37.36.

Cost of goods sold:

Date	Goods Available for Sale	Cost of Goods Sold	Ending Inventory
January 1	10 units @ \$4.00 = \$40.00		
January 17	8 units @ \$5.50 = \$44.00		
	\$84.00/18 units = \$4.67 per unit	13 units @ \$4.67 = \$60.71	5 units @ \$4.67 = \$23.35

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-107 (Static) A company had the following...

Learning Objective: 05-P3 Appendix 5A- Compute inventory in a periodic system using the methods of specific identification, FIFO, LIFO, and weighted average.

59. Award: 1.79 points

TB MC Qu. 05-108 (Static) A company had the following...

A company had the following purchases and sales during the month of November:

Date	Activities	Units Acquired at Cost	Units Sold at Retail
November 1	Beginning inventory	5 units @ \$20 = \$100	
November 2	Purchase	10 units @ \$22 = \$220	
November 6	Purchase	6 units @ \$25 = \$150	
November 8	Sales		8 units @ \$55

Using the LIFO *perpetual* inventory method, what was the value of the inventory on November 8 after the sale?

- \$304
 \$296
 \$288
 \$280
 \$276

Ending Inventory:

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
November 1			5 units @ \$20 = \$ 100
November 2	10 units @ \$22		5 units @ \$20 = \$ 320
November 6	6 units @ \$25		10 units @ \$22 = \$ 470
November 8		2 units @ \$22 = \$ 44 6 units @ \$25 = \$ 150 = \$ 194	5 units @ \$25 = \$ 125 5 units @ \$20 = \$ 100 8 units @ \$22 = \$ 176 = \$ 276

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-108 (Static) A company had the following...

Learning Objective: 05-P1 Compute inventory in a perpetual system using the methods of specific identification, FIFO, LIFO, and weighted average.

60. Award: 1.79 points

TB MC Qu. 05-112 (Static) Eastview Company uses a perpetual...

Eastview Company uses a *perpetual* LIFO inventory system, and has the following purchases and sales:

Date	Activities	Units Acquired at Cost	Units Sold at Retail
January 1	Purchase	150 units @ \$9 = \$1,350	
January 17	Sales		120 units sold
January 20	Purchase	160 units @ \$11 = \$1,760	
January 29	Sales		150 units sold

What is the value of cost of goods sold?

- \$2,730.
- \$2,750.
- \$2,670.
- \$440.
- \$380.

Date	Goods Purchased	Cost of Goods Sold	Inventory Balance
1/1	150 @ \$9		150 @ \$9 = \$ 1,350
1/17		120 @ \$9 = \$ 1,080	30 @ \$9 = \$ 270
1/20	160 @ \$11		30 @ \$9 = \$ 2,030
1/29		150 @ \$11 = \$ 1,650	160 @ \$11 = \$ 380
		<u>\$ 2,730</u>	10 @ \$11 = \$110
Total			\$ 380

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 05-112 (Static) Eastview Company uses a perpetual...

Learning Objective: 05-P1 Compute inventory in a perpetual system using the methods of specific identification, FIFO, LIFO, and weighted average.

61. Award: 1.79 points

TB MC Qu. 05-127 (Static) In applying the lower of cost...

In applying the lower of cost or market method to LIFO inventory costing, market is defined as:

- Historical cost.
- Replacement cost.
- Current sales price.
- FIFO.
- LIFO.

References

Multiple Choice

Difficulty: 1 Easy

TB MC Qu. 05-127 (Static) In applying the lower of cost...

Learning Objective: 05-P2 Compute the lower of cost or market amount of inventory.

62. Award: 1.79 points

TB MC Qu. 05-128 (Static) Raleigh Company has the following...

Raleigh Company has the following products in its ending inventory. Compute the lower of cost or market total for inventory applied separately to each product.

Product	Quantity	Cost per unit	Market per unit
Jelly	150	\$ 2.00	2.15
Jam	370	\$ 2.65	2.50
Marmalade	260	\$ 3.10	3.05

- \$2,040.50.
- \$2,086.50.
- \$2,018.00.
- \$2,109.00.
- \$2,053.50.

Jelly = $150 \times \$2.00 = \300
Jam = $370 \times \$2.50 = \925
Marmalade = $260 \times \$3.05 = \793
Lower of cost or market value = \$2,018

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-128 (Static) Raleigh Company has the following...

Learning Objective: 05-P2 Compute the lower of cost or market amount of inventory.

63. Award: 1.79 points

TB MC Qu. 05-129 (Static) After companies apply one of the...

After companies apply one of the four costing methods, inventory is reviewed to ensure it is reported at the:

- Market value.
- Historical cost.
- Lower of cost or market.
- Replacement cost.
- Retail value.

References

Multiple Choice

Difficulty: 1 Easy

TB MC Qu. 05-129 (Static) After companies apply one of the...

Learning Objective: 05-P2 Compute the lower of cost or market amount of inventory.

64. Award: 1.79 points

TB MC Qu. 05-140 (Algo) A flood destroyed a company's warehouse...

A flood destroyed a company's warehouse contents on September 12. The following information was the only information that was salvaged:

1. Inventory, beginning: \$28,400
2. Purchases for the period: \$17,400
3. Sales for the period: \$55,400
4. Sales returns for the period: \$740

The company's average gross profit ratio is 39%. What is the estimated cost of the lost inventory using the gross profit method?

- \$12,457.40.
- \$24,482.60.
- \$27,938.00.
- \$45,800.00.
- \$44,800.00.

COGS = $(\$55,400 - \$740) \times 61\% = \$33,342.60$
 Goods available for sale = $\$28,400 + \$17,400 = \$45,800$
 EI = $\$45,800 - \$33,342.60 = \$12,457.40$

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-140 (Algo) A flood destroyed a company's warehouse...

Learning Objective: 05-P4 Appendix 5B-Apply both the retail inventory and gross profit methods to estimate inventory.

65. Award: 1.79 points

TB MC Qu. 05-141 (Static) A company reports the following...

A company reports the following information regarding its inventory.

Beginning inventory: cost is \$80,000; retail is \$130,000
 Net purchases: cost is \$65,000; retail is \$120,000
 Sales at retail: \$145,000

The year-end inventory shows \$105,000 worth of merchandise available at retail prices. What is the cost of the ending inventory calculated using the retail inventory method?

- \$135,000.
- \$73,125.
- \$60,900.
- \$72,900.
- \$105,000.

	At cost	At retail
Beginning inventory	\$ 80,000	\$ 130,000
Purchases	65,000	120,000
Goods available	<u>\$ 145,000</u>	<u>\$ 250,000</u>

Cost/retail ratio $\$145,000/\$250,000 = 58\%$
 Ending inventory at cost $\$105,000 \times 58\% = \$60,900$

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-141 (Static) A company reports the following...

Learning Objective: 05-P4 Appendix 5B-Apply both the retail inventory and gross profit methods to estimate inventory.

66. Award: 1.79 points

TB MC Qu. 05-147 (Algo) Jefferson Company has...

Jefferson Company has net sales of \$318,000 and cost of goods available for sale of \$271,800. If the gross profit ratio is typically 30%, the estimated cost of the ending inventory under the gross profit method would be:

- \$95,400
 \$46,200
→ \$49,200
 \$98,400
 \$176,400

If net sales for the period were \$318,000 and the company's typical gross profit ratio is 30%, gross profit would be approximately \$95,400. That means that cost of goods sold must have been \$222,600. Subtracting cost of goods sold of \$222,600 from the \$271,800 of cost of goods available for sale yields ending inventory of \$49,200.

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-147 (Algo) Jefferson Company has...

Learning Objective: 05-P4 Appendix 5B-Apply both the retail inventory and gross profit methods to estimate inventory.

67. Award: 1.86 points

TB MC Qu. 05-148 (Static) Oxford Packing Company reported...

Oxford Packing Company reported net sales in November of the current year of \$1,000,000. At the beginning of November, the company reported beginning inventory of \$368,000. Cost of goods purchased during November amounted to \$217,750. The company reported ending inventory at the end of November of \$226,750.

The company's gross profit rate for November of the current year was:

- 35.9%
 37.7%
 81.2%
→ 64.1%
 63.3%

Combining beginning inventory of \$368,000 with purchases for the period of \$217,750 yields cost of goods available for sale of \$585,750. If we then subtract the ending inventory of \$226,750, we get cost of goods sold of \$359,000. Subtracting cost of goods sold (\$359,000) from sales (\$1,000,000) yields gross profit of \$641,000. Dividing gross profit of \$641,000 by sales of \$1,000,000 yields a gross profit percentage of 64.1%.

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 05-148 (Static) Oxford Packing Company reported...

Learning Objective: 05-P4 Appendix 5B-Apply both the retail inventory and gross profit methods to estimate inventory.