

Lesson 18: Inventory and Cost of Goods Sold

Part A: COGS Calculation

Beginning Inventory \$12,000 | Purchases during period \$38,000 | Ending Inventory \$9,000

Formula Element	Amount (\$)
Beginning Inventory	12,000
+ Purchases	38,000
= Goods Available for Sale	
– Ending Inventory	9,000
= Cost of Goods Sold (COGS)	

Part B: FIFO vs LIFO vs Weighted Average

You purchased: 100 units @ \$10 (Jan), then 100 units @ \$12 (Feb). You sold 120 units in March.

Method	COGS Calculation	COGS Total (\$)	Ending Inventory (\$)
FIFO	$100 \times \$10 + 20 \times \12		
LIFO	$100 \times \$12 + 20 \times \10		
Weighted Avg	$120 \times \text{avg cost}$		

Part C: Short Answer

In a period of rising prices, which method (FIFO or LIFO) results in lower net income? Why?
