

### **CONCEPT: SPECIFIC IDENTIFICATION**

- A company can properly value its cost of goods sold and inventory balance if it can specifically identify each unit sold.
  - Specific Identification usually requires goods that are \_\_\_\_\_ or otherwise easily identified.
  - COGS → Price we paid for each unit sold
  - Ending Inventory → Price we paid for units left unsold

### **EXAMPLE:**

ABC Yacht Company resells yachts and only keeps a few units on hand. The units on hand at the beginning of June were: Yacht A with a value \$350,000, Yacht B with a value of \$500,000, and Yacht C with a value of \$600,000. During June, the company sold Yacht B to a customer for \$800,000, half of which was paid in cash. Journalize this sale and note the ending balance in the following accounts

Journal Entry:

Inventory Balance:

Revenue:

COGS:

### **PRACTICE:**

Unique Robots Company currently has four robots in its factory. Two units of X3ZA, which it purchased for \$80,000 each, one unit of EE1C for \$60,000, and one unit of C4P0 for \$125,000. The company then sold the EE1C model for \$140,000. Journalize this sale and note the ending balance in the following accounts.

Journal Entry:

Inventory Balance:

Revenue:

COGS: