

CONCEPT: PHYSICAL INVENTORY COUNT AND OWNERSHIP OF GOODS

- Whether using perpetual or periodic inventory systems, all companies must determine Inventory at the end of the period.

☐ A **physical count** involves actually counting and measuring all goods that are still in Inventory.

- Perpetual Inventory – the count should _____ the inventory balance from the records.

> Any discrepancies can be explained by wasted materials, shoplifting, or employee theft.

- Periodic Inventory – a physical count is _____

- We may own some goods that are not in the warehouse.

☐ **FOB Shipping Point** – _____ of the goods changes hands at the shipping point

- Any FOB Shipping Point _____ in transit belong to the company.



☐ **FOB Destination** – _____ of the goods changes hands at the destination

- Any FOB Destination _____ in transit belong to the company.



- We may not own some goods that are in the warehouse.

☐ **Consigned Goods** – Goods you are selling, but are owned by another company.

- You do not own consigned goods, so they are _____ part of your Inventory.

- Generally, you earn some commission upon selling consigned goods.

Jan's Boutique sells Sophie's dresses on consignment. Sophie pays Jan \$100 for each dress sold. At the beginning of the month, Jan's store displayed five of Sophie's dresses, with a cost of \$250 each. Jan sold two dresses during the month for \$1,000 each. Record Jan's journal entries related to the consigned goods.

Journal Entry:

Inventory Balance:

Revenue:

Liabilities: