CONCEPT: PERPETUAL SYSTEM – FIFO, LIFO, AND AVERAGE COST

- When we sell large amounts of ______________ units, we can use cost flow assumptions to track COGS and Inventory
  - ☐ ***First In, First Out (________)*** – the ___________ unit is sold first (COGS → what you paid for older units)
  - ☐ ***Last In, First Out (________)*** – the ___________ unit is sold first (COGS → what you paid for newer units)
  - ☐ ***Average Cost*** – goods are sold at their average cost (COGS → average of what you paid)
    - A perpetual system features a ***moving average***; the average is updated after each ________________

$$Average\ Cost = \frac{Total\ Cost}{Quantity}$$

- ☐ **Note**: The cost flow assumption does **NOT** have to be consistent with the ______________ flow of goods

EXAMPLE: A company had the following inventory data for the month of July:

Date	Activity	Units	Cost	Units Balance	Total Cost
July 1	Inventory Balance	1,000	$20.00		
5	Sale @ $30	700			
11	Purchase	500	$22.40		
23	Sale @ $30	360			
29	Sale @ $30	240			
30	Purchase	600	$23.30		

Calculate COGS and Ending Inventory assuming the company uses a perpetual inventory system.

	FIFO	LIFO	Average Cost
COGS	July 5: July 23: July 29: Total:	July 5: July 23: July 29: Total:	July 5: July 23: July 29: Total:
Ending Inventory			