CONCEPT: PERIODIC 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)

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

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

- In a periodic system, an inventory count reveals the _________________ in ending inventory.

$$Beginning\ Inventory + Purchases = Goods\ Available\ for\ Sale$$

$$Beginning\ Inventory + Purchases - \boldsymbol{COGS} = Ending\ Inventory$$

EXAMPLE: A company had the following inventory data for the month of July in its periodic inventory system:

Date	Activity	Units	Cost	Total Cost of Purchase
July 1	Inventory Balance	1,000	$20.00	
11	Purchase	500	$22.40	
30	Purchase	600	$23.30	
	Total Available for Sale			

The month-end physical count noted that there were 800 units on hand. Calculate COGS and Ending Inventory.

	FIFO	LIFO	Average Cost
COGS			
Ending Inventory			