

CONCEPT: PERPETUAL INVENTORY – PURCHASES SUMMARY

- Throughout the period, we make purchases and sell product.
 - At the end of the period, we must calculate the ending balance in _____
 - We use the standard BASE equation on the Inventory account.
 - **Beginning Balance** – Inventory's beginning balance
 - **Additions** – Purchases during the period
 - **Subtractions** – Purchase discounts, purchase returns and allowances, and _____
 - **Ending Balance** – Inventory's ending balance → (Generally solving for Ending Balance)

EXAMPLE: A company has the following inventory records from the past month's activity:

Inventory, July 1	\$55,000
COGS	\$40,000
Purchases during July	\$25,000
Purchase discounts	\$650
Purchase returns and allowances	\$1,500
Accounts Payable, July 1	\$16,000
Accounts Payable, July 31	\$22,000

Calculate the Inventory balance on July 31.