

Chapter 10 Outline

Periodic versus Perpetual Inventory Systems
 Taking a Physical Inventory
 Consigned Goods
 Transportation Costs
Inventory Valuation Methods
 Comparison and Evaluation of Inventory Valuation Methods
Estimating Ending Inventory and Cost of Goods Sold
 The Retail Method
 The Gross Profit Method
Lower of Cost or Market (LCM)
Perpetual Inventory System

Competencies

1. Identify broad guidelines for controlling inventory, and explain the role of inventory in the calculation of profit. (pp. 337–339)
2. Explain procedures for taking a physical inventory, and describe the roles of transportation costs, consigned goods, and terms of sale in recording inventory. (pp. 339–341)
3. Demonstrate and compare the four basic methods of valuing ending inventory. (pp. 341–343)
4. Demonstrate and distinguish between the retail and gross profit methods of estimating ending inventory. (pp. 343–345)
5. Perform the lower of cost or market (LCM) computation and outline situations in which it is used. (p. 345)
6. Distinguish the perpetual inventory system from the periodic inventory system. (pp. 345–346)