

Chapter 19 Outline

The Importance of Inventory Valuation
The Gross Profit Method
Approaches to Inventory Valuation
The Specific Identification Approach to
Inventory Valuation
 The Specific Identification Perpetual
 Method
 The Specific Identification Periodic
 Method
The FIFO Approach to Inventory Valuation
 The FIFO Perpetual Method
 The FIFO Periodic Method
The LIFO Approach to Inventory Valuation
 The LIFO Perpetual Method
 The LIFO Periodic Method
The Weighted Average Approach to
Inventory Valuation
 The Weighted Average Perpetual
 Method
 The Weighted Average Periodic
 Method
A Comparison of Cost Allocation Methods
LIFO Analyzed

Competencies

1. Describe how inaccurate inventory records can affect the financial statements. (pp. 500–502)
2. Explain the gross profit method of estimating inventory levels. (pp. 502–503)
3. Explain the basis of accounting for inventory, and differentiate between inventory valuation approaches according to their emphasis on product flow or cost flow. (pp. 504–505)
4. Describe the specific identification approach to inventory valuation. (pp. 505–508)
5. Explain the FIFO approach to inventory valuation and how it differs from the specific identification approach. (pp. 508–509)
6. Describe the LIFO approach to inventory valuation, and compare it with the FIFO approach. (pp. 509–511)
7. Describe the weighted average approach to inventory valuation and how it differs from the approaches previously discussed. (pp. 511–513)
8. Compare the three cost flow approaches to inventory valuation with respect to cost of sales and ending inventory. (pp. 513–514)
9. Summarize the benefits and drawbacks of the LIFO approach. (pp. 514–515)