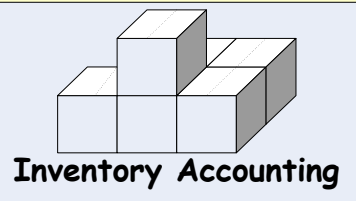
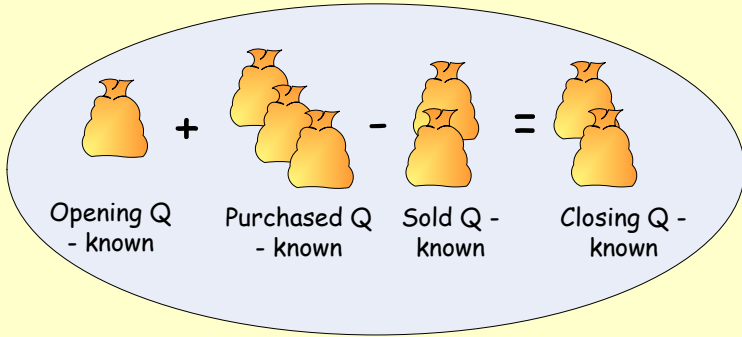


2 Accounting Systems



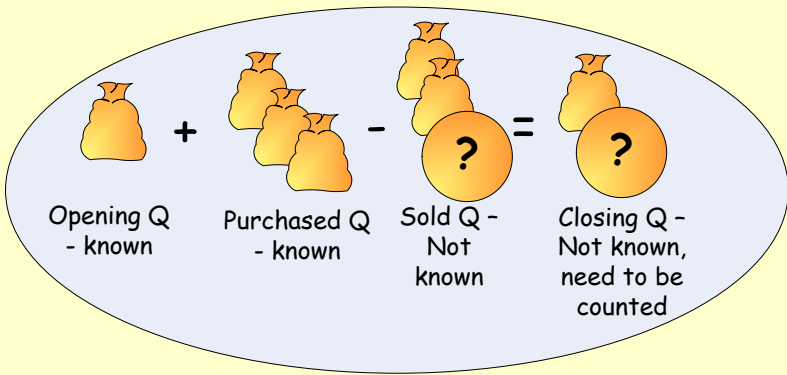
Perpetual

- Inventory quantities are updated after each transaction
- We know exactly how many items were sold
- We know exactly how many items are left



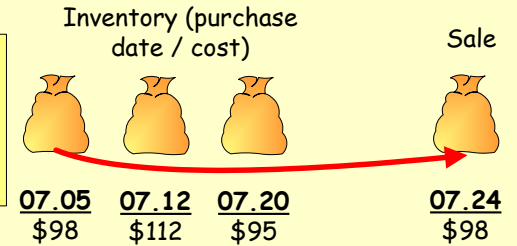
Periodic

- Inventory quantities are updated at the end of the period taking physical inventory count
- We do not track exactly how many items were sold
- We do not know how many items are left until we count closing inventory



Inventory Valuation Methods

FIFO
assume we sell item acquired at the earliest



Value of closing inventory = \$112 + \$95 = \$207

Cost of goods sold = \$98

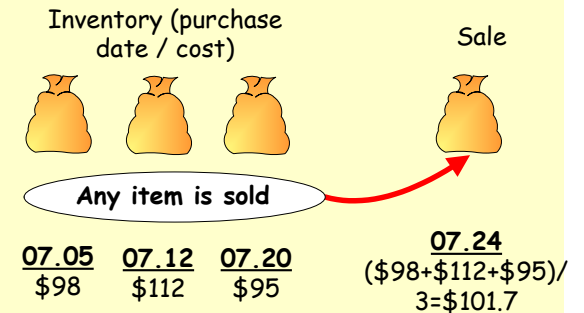
LIFO
assume we sell item acquired at the latest



Value of closing inventory = \$98 + \$112 = \$210

Cost of goods sold = \$95

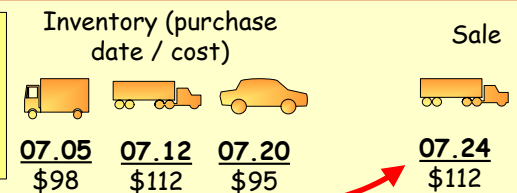
Average Price
calculate average price of one item



Value of closing inventory = \$101.7 * 2 = \$203.4

Cost of goods sold = \$101.7

Exact Price
we know exactly which item was sold



Value of closing inventory = \$98 + \$95 = \$193

Cost of goods sold = \$112