OdAccounting 460
CPA Problems
Illustration of LIFO RETAIL Inventory calculations

When the Zee Company adopted the LIFO retail inventory method, the relevant price index stood at 125 and its inventory had a cost value of $29,000 and a retail value of $50,000.

In the two years thereafter the following data apply:

	First year	Second year
Price index	130	135
Sales	$ 191,000	$ 238,750
Purchases (at sales price)	200,000	250,000
Net added markups	10,000	8,000
Net markdowns	4,000	10,000
Purchases (at cost)	123,600	151,250

Using the worksheet below, calculate the inventories at the end of the first and second year at cost and retail in accordance with the LIFO retail method.

	YEAR ONE	
	COST	RETAIL
Beginning inventory		
Purchases		
markups		
markdowns		
Total		
Cost/retail ratio		
Goods available		
Sales		
Ending inventory-at retail current		
Ending inventory-at base retail(65,000*125/130)		
Increase at base retail (50,000-62,500)		
Increase at current retail (12,500 * 130/125)		
Increase at cost (13,000 * 60%)		
Beginning inventory at cost		
Current inventory--Retail LIFO		

	YEAR TWO	
	COST	RETAIL
Beginning inventory		
Purchases		
markups		
markdowns		
Total		
Cost/retail ratio		
Goods available		
Sales		
Ending inventory-at retail current		
Ending inventory-at base retail(74,250*125/135)		
Increase at base retail (68,750-62,500)		
Increase at current retail (3,750 * 135/125)		
Increase at cost (4,050 * 61%)		
Beginning inventory at cost		
Current inventory--Retail LIFO		