

Aufgabe QR-9.2: Perpetual System und Durchschnitts-Methode

(Perpetual System and Weighted Average Cost Method for Inventory Valuation)

(For this task you should be familiar with perpetual system covered on page 220 and cost formulas displayed on page 236ff.)

Trading business WANGSIMNI RETAIL Ltd. sells English novels from the best seller list to bookstores in China, Korea and Japan. The company follows a perpetual system for inventory valuation. As WANGSIMNI RETAIL Ltd. buys books for different prices they apply for weighted average cost formula. On 1.02.20X9 the store has the following inventories:

Schlink: The Reader (360 copies, 9.00 EUR/p)

Hosseini: The Kite Runner (670 copies, 8.80 EUR/p)

Meyer: Twilight (230 copies, 9.54 EUR/p)

Young: The Shack (570 copies, 12.80 EUR/p)

During accounting period February 20X9 WANGSIMNI RETAIL Ltd's accountant made bookkeeping entries for the changes in inventory listed below.

INVENTORY MOVEMENTS FOR WANGSIMNI RETAIL Ltd. for 2/20X9

Book	Purchase/Sales	Date	Amount	Unit price, net amt
The Reader	purchase	03. Feb	200	9,56
The Kite Runner	sales	05. Feb	100	(10,80)
Twilight	sales	06. Feb	200	(10,30)
The Reader	sales	07. Feb	400	(11,50)
Twilight	purchase	10. Feb	400	6,89
The Shack	sales	16. Feb	200	(15,00)
The Shack	sales	17. Feb	250	(14,50)
Twilight	purchase	23. Feb	100	7,95
Twilight	sales	24. Feb	400	(10,40)
The Kite Runner	sales	25. Feb	300	(10,90)

Exhibit 1: Inventory movements for February 20X9

Required: Make all bookkeeping entries related to purchases and sales of novels. Determine closing stock of novels along the weighted average cost formula. Compute WANGSIMNI RETAIL Ltd's profit before taxation and cash flow for accounting period February 20X9. VAT rate is 20 %. Assume WANGSIMNI RETAIL Ltd. can take an interest free bank loan to finance its business. No income tax is to be considered. Do not appropriate profit. Assume all transactions to be on cash.

Lösung: (Solution)

The following bookkeeping entries are displayed by Exhibit 7 below. The bookkeeping entries are not required but can illustrate the method to determine solution.

Opening value for inventories is $360 \cdot 9.00 + 670 \cdot 8.80 + 230 \cdot 9.54 + 570 \cdot 12.80 = 18,626.20$ EUR.

(1) Purchase on 3.02.20X9. Net amount is $200 \cdot 9.56 = 1,912.00$ EUR

DR Purchase	1, 912.00 EUR
DR VAT	382.40 EUR
CR Bank	2, 294.40 EUR

(2) Inventory movement

DR Inventory	1, 912.00 EUR
CR Purchase	1, 912.00 EUR

(3) Sales on 5.02.20X9. Net amount is $100 \cdot 10.80 = 1,080.00$ EUR.

DR Bank	1, 296.00 EUR
CR VAT	216.00 EUR
CR Sales	1, 080.00 EUR

Transfer from Sales Account to Trading Account is not made for particular sales but at the end of accounting period for all sales together for sake of simplification.

(4) Inventory movement. Amount is $100 \cdot 8.80 = 880.00$ EUR.

DR Trading (C.O.S.)	880.00 EUR
CR Inventory	880.00 EUR

(5) Sales on 6.02.20X9. Net amount is $200 \cdot 10.30 = 2,060.00$ EUR.

DR Bank	2, 472.00 EUR
CR VAT	412.00 EUR
CR Sales	2, 060.00 EUR

(6) Inventory movement. Amount is $200 \cdot 9.54 = 1,908.00$ EUR.

DR Trading (C.O.S.)	1, 908.00 EUR
CR Inventory	1, 908.00 EUR

(7) Sales on 7.02.20X9. Net amount is $400 \cdot 11.50 = 4,600.00$ EUR.

DR Bank	5,520.00 EUR
CR VAT	920.00 EUR
CR Sales	4,600.00 EUR

(8) Inventory movement. Amount is $400 \cdot [(360 \cdot 9.00 + 200 \cdot 9.56)/(360 + 200)] = 3,680.00$ EUR.

DR Trading (C.O.S.)	3,680.00 EUR
CR Inventory	3,680.00 EUR

(9) Purchase on 10.02.20X9. Net amount is $400 \cdot 6.89 = 2,756.00$ EUR.

DR Purchase	2,756.00 EUR
DR VAT	551.20 EUR
CR Bank	3,307.20 EUR

(10) Inventory movement. Amount is 2,756.00 EUR.

DR Inventory	2,756.00 EUR
CR Purchase	2,756.00 EUR

(11) Sales on 16. and 17.02.20X9 are combined. Net amount is $200 \cdot 15.00 + 250 \cdot 14.50 = 6,625.00$ EUR.

DR Bank	7,950.00 EUR
CR VAT	1,325.00 EUR
CR Sales	6,625.00 EUR

(12) Inventory movement. Amount is $450 \cdot 12.80 = 5,760.00$ EUR.

DR Trading (C.O.S.)	5,760.00 EUR
CR Inventory	5,760.00 EUR

(13) Purchase on 23.02.20X9. Net amount is $100 \cdot 7.95 = 795.00$ EUR.

DR Purchase	795.00 EUR
DR VAT	159.00 EUR
CR Bank	954.00 EUR

(14) Inventory movement. Amount is 795.00 EUR.

DR Inventory	795.00 EUR
CR Purchase	795.00 EUR

(15) Sales on 24.02.20X9. Net amount is $400 \cdot 10.40 = 4,160.00$ EUR.

DR Bank	4,992.00 EUR
CR VAT	832.00 EUR
CR Sales	4,160.00 EUR

(16) Inventory movement. Amount is $400 \cdot [(30 \cdot 9.54 + 400 \cdot 6.89 + 100 \cdot 7.95)/530] = 2,896.00$ EUR.

DR Trading (C.O.S.)	2,896.00 EUR
CR Inventory	2,896.00 EUR

(17) Sales on 25.02.20X9. Net amount is $300 \cdot 10.90 = 3,270.00$ EUR.

DR Bank	3,924.00 EUR
CR VAT	654.00 EUR
CR Sales	3,270.00 EUR

(18) Inventory movement. Amount is $300 \cdot 8.80 = 2,640.00$ EUR.

DR Trading (C.O.S.)	2,640.00 EUR
CR Inventory	2,640.00 EUR

(19) Posting total of Sales to Trading Account. Amount is $1,080 + 2,060 + 4,600 + 6,625 + 4,160 + 3,270 = 21,795.00$ EUR.

DR Sales	21,795.00 EUR
CR Trading	21,795.00 EUR

D	Inv	C
OV	18.626,20	(4) 880,00
(2)	1.912,00	(6) 1.908,00
(10)	2.756,00	(8) 3.680,00
(14)	795,00	(12) 5.760,00
		(16) 2.896,00
		(18) 2.640,00
		c/d 6.325,20
	<u>24.089,20</u>	<u>24.089,20</u>
b/d	6.325,20	

D	Purchase	C
(1)	1.912,00	(2) 1.912,00
(9)	2.756,00	(10) 2.756,00
(13)	795,00	(14) 795,00
	<u>5.463,00</u>	<u>5.463,00</u>

D	Bank	C
(3)	1.296,00	(1) 2.294,40
(5)	2.472,00	(9) 3.307,20
(7)	5.520,00	(13) 954,00
(11)	7.950,00	
(15)	4.992,00	
(17)	3.924,00	c/d 19.598,40
	<u>26.154,00</u>	<u>26.154,00</u>
b/d	19.598,40	

D	Trading	C
(4)	880,00	(19) 21.795,00
(6)	1.908,00	
(8)	3.680,00	
(12)	5.760,00	
(16)	2.896,00	
(18)	2.640,00	
NP	4.031,00	
	<u>21.795,00</u>	<u>21.795,00</u>

D	VAT	C
(1)	382,40	(3) 216,00
(9)	551,20	(5) 412,00
(13)	159,00	(7) 920,00
c/d	3.266,40	(11) 1.325,00
		(15) 832,00
	<u>4.359,00</u>	(17) 654,00
		<u>4.359,00</u>
	b/d 3.266,40	

D	Sales	C
(19)	21.795,00	(3) 1.080,00
		(5) 2.060,00
		(7) 4.600,00
		(11) 6.625,00
		(15) 4.160,00
		(17) 3.270,00
	<u>21.795,00</u>	<u>21.795,00</u>

Exhibit 2: Accounts

The closing stock is 6,325.20 EUR. The net profit amounts to 4,031.00 EUR and cash flow is 19,598.40 EUR.