

Help! I have a \$2 error in my Math Revealed! Inventory Account

Chapter 7

QBO uses FIFO to value inventory. FIFO layers are created when goods are purchased and relieved when goods are sold. The layers are also affected when inventory is returned by the customer or returned to the vendor.

In Chapter 6, a **Kit** is returned by Isla Parker on 2/20/23. QBO adds back to inventory at \$12. (In Chapter 6, all FIFO layers have a unit cost of \$12.) Here's the Inventory Valuation Detail report for **Kits** at the end of Chapter 6:

Kit								
Beginning Balance							10.00	120.00
02/10/2023	Invoice	INV-1017	Center for High Academic Achievement:Downtown	(5.00)	12.00	(60.00)	5.00	60.00
02/15/2023	Credit Memo	CM-1017	Center for High Academic Achievement:Downtown	2.00	12.00	24.00	7.00	84.00
02/18/2023	Sales Receipt	SR-110	Drop-In	(3.00)	12.00	(36.00)	4.00	48.00
02/20/2023	Refund	RR-101	Parker, Isla	1.00	12.00	12.00	5.00	60.00
Total for Kit				(5.00)		\$ (60.00)	5.00	\$60.00

In Chapter 7, Martin receives some **Kits** from Math Shack on February 13. No bill is attached, so you enter the bill using the \$12 unit rate. On February 20, Martin receives the bill for that order dated February 20. The price has gone up to \$14. In your homework instructions, you're told to change the bill date to 2/20 and the unit cost to \$14. That entry changes the layer used to process the return by Isla Parker on 2/20, **even though that return was processed in a previous chapter.** The Inventory Valuation Detail report for **Kits** at the end of Chapter 7 looks like this:

Kit								
Beginning Balance							10.00	120.00
02/10/2023	Invoice	INV-1017	Center for High Academic Achievement:Downtown	(5.00)	12.00	(60.00)	5.00	60.00
02/15/2023	Credit Memo	CM-1017	Center for High Academic Achievement:Downtown	2.00	12.00	24.00	7.00	84.00
02/18/2023	Sales Receipt	SR-110	Drop-In	(3.00)	12.00	(36.00)	4.00	48.00
02/20/2023	Refund	RR-101	Parker, Isla	1.00	14.00	14.00	5.00	62.00
02/20/2023	Bill	M58822	Math Shack	10.00	14.00	140.00	15.00	202.00
02/24/2023	Vendor Credit	R2525-8	Math Shack	(3.00)	12.00	(36.00)	12.00	166.00
Total for Kit				2.00		\$46.00	12.00	\$166.00

QBO has changed the unit cost for the Isla Parker returned **Kit** from \$12 to \$14. It's now in the same FIFO layer as the **Kits** purchased on 2/20. If your inventory is off \$2, it's likely because you entered an incorrect date for either the Isla Parker return or the Math Shack bill.

Here's a look at the **Kit** FIFO Layers through Chapter 9. (No **Kits** were sold in Chapter 10.)

Activity in Kits

	Quantities	
	<u>\$12 layer</u>	<u>\$14 layer</u>
Imported in Ch 2	10	
Sold on 2/10	(5)	
Layer increased with 2/15 CM	2	
Sold on 2/18	(3)	
Returned to vendor on 2/24	(3)	
Purchase from Math Shack on 2/20		10
Layer increased with 2/20 Parker return		1
Balance at the end of Chapter 7	1	11 (1 @ 12 + 11 @ \$14 = \$166)
Sold on 3/3	(1)	
Sold on 3/9		(5)
Balance at the end of Chapter 9	-	6 (6 @ \$14 = \$84)